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% of Quebecers Vote No Political Independence

Dusko Doder

PARIS, May 21 (WP) — A separatist government led by René Levesque suffered a narrow defeat yesterday when voters rejected his bid for independence from Canada.

Canadian unity in this predominantly French-speaking province appeared to have been threatened by the threat of Quebec secession and open the way for constitutional changes to meet Quebec aspirations.

Mr. Levesque accepted the defeat before a tumultuous crowd of supporters, hundreds of whom weeping, saying that the people of Quebec had clearly given the federal Canadian government "one more opportunity" to make constitutional adjustments.

Uncertain Future

With 95 percent of the ballots counted, the federalist forces led by Claude Ryan, leader of the Quebec Liberal Party, had 59.4 percent of the vote. The separatists were holding 40.6 percent. Most important, the federalists appeared to have won slightly more than half of the French votes. The French Canadian account for 80 percent of Quebec's population of 6.3 million.

Mr. Ryan hailed the outcome as a demonstration that Quebecers wanted "to seek their future along the path of Canadian federalism." But he made it clear that he was deeply committed to radical constitutional changes.

Symbolic Decision

The outcome represented a symbolic rather than final decision. Quebec's 4.3 million eligible voters were asked whether they would give Mr. Levesque the mandate to seek political sovereignty while negotiating an economic association with Canada. Any actual changes would have had to be approved in another referendum.



Ryan, leader of the Quebec Liberal Party, waves the flag to supporters after voters soundly rejected the bid to start negotiations on sovereignty for the province.

Adds to Delegates

h Wins Michigan Vote, Reagan Takes Oregon

By William Endicott

GELES, May 21 (LAT) — Bush won a lopsided victory over Ronald Reagan in the presidential primary, but it probably came too late to change the outcome of the election.

Michigan's Democratic primary was virtually meaningless, because delegates were chosen last month in a series of caucuses in which Sen. Kennedy won 71 delegates to 70 for Mr. Carter.

Iranian Firing Squad Executes 20 for Heroin Trade

By Harvey Morris

TEHRAN, May 21 (Reuters) — Iran's ruling Islamic judge, Sheikh Sadegh Khalkhali, sent 20 heroin traffickers to the firing squad today in the biggest mass execution of common criminals since the Iranian revolution.

The sentence was carried out at Tehran's Qasr Prison after a four-day trial conducted by Sheikh Khalkhali in his new role as head of the country's anti-narcotics strike force.

He said the 20 persons executed ran the biggest heroin network in the Middle East, with contacts stretching from India to Europe. He added there would be no crack-down on addicts who dealt in small amounts of drugs. The authorities were instead asked to place welfare facilities at their disposal.

U.S. Hostages: 200 Days

By John F. Burns

TEHRAN, May 21 (UPI) — As the U.S. hostages spent their 200th day in captivity today, the leader of the Muslim fundamentalist parliamentary majority said the United States must be patient about the outcome of proceedings to resolve the crisis.

Ayatollah Mohammad Beheshti, leader of the Islamic Republican Party, said "confrontation and stubbornness" would not help solve matters. "Therefore," he said, "it is in their interest that [the United States] remain patient" until the Majlis (parliament) scheduled to meet next week and take up the issue, comes to a decision.

Meanwhile, militants holding 50 of the 53 hostages in 15 towns across Iran told the parliament they expected it to vote for a trial of the captives, who have been held since Nov. 4. Three other U.S. diplomats, although not reported to be in the custody of the militants, have been detained at the Foreign Ministry.

Efforts Grow in South Africa to Free Mandela

By John F. Burns

CAPE TOWN (NYT) — Viewed through a telescope atop Table Mountain, it looks idyllic: an island glistening in Table Bay, choppy Atlantic waters washing its rocky shore, with a cluster of whitewashed buildings that could be any South African country town.

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Civil Rebellion Grows, 11 Die In South Korea

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More than 100,000 citizens, including students from two universities, reportedly poured into the streets of Kwangju to battle riot police and martial law troops. Demonstrations spread to the neighboring South Cholla province towns of Raju, Chang Sung and Mokpo as busloads of demonstrators reportedly fanned out from Kwangju to spread the protest.

France, West Germany Confirm Iran Sanctions; Britain Assailed

By John Vinocur

BONN, May 21 (NYT) — The West German and French cabinets approved trade sanctions against Iran today, while Britain came under sharp attack, including a censure attempt at the European Parliament in Strasbourg, for deserting the European Economic Community's decision to backdate the restrictions.

Both the West Germans, who were the Iranians' biggest Western trade partners, and the French said that their embargoes would be retroactive to Nov. 4, 1979, the day the U.S. hostages were seized in Tehran, and would exclude only food and medical supplies. No new contracts are to be signed. Other EEC partners also announced plans for sanctions against Iran.

The decisions by the West German and French cabinets were in line with the agreement on retroactive sanctions reached at a EEC foreign ministers meeting Sunday in Naples and rejected Monday by the British House of Commons, which was apparently concerned about the measures' effects on British trade.

France Defends Summit, Rejects Muskie Criticism

By Ronald Koven

PARIS, May 21 (WP) — In an angry retort to U.S. criticism of the French-Soviet summit meeting in Warsaw last Monday, the French foreign minister, Jean Francois-Poncet, asserted today in the National Assembly that France did not need anyone's authorization to talk to whomever it wanted to whomever it wanted to.

Mr. Francois-Poncet was answering complaints by the U.S. secretary of state, Edmund Muskie, who said that the French minister had not bothered to tell him when they met last Friday about the planned meeting between President Valery Giscard d'Estaing of France and President Leonid Brezhnev of the Soviet Union.

Mr. Giscard d'Estaing's spokesman replied even more sharply that "the president of the French Republic does not need the permission of the president of the United States to go out of doors."

U.S. Appears To Rule Out Korea Move

By William Chapman

SEOUL, May 21 (WP) — The United States does not plan to apply any significant pressures on South Korea's military rulers, and is not considering any threat to withdraw U.S. troops as a retaliatory move, according to information available here.

U.S. officials in Seoul and Washington are said to feel that security comes first and that any attempt to intervene in South Korea might further weaken an already divided nation.

Although there are no indications that North Korea's Communist forces plan to take advantage of the South's troubles, the United States is said to view the defense of its strait-jacketed ally as the first priority.

Trade Leader

By William Chapman

Mr. Park was an air force officer from 1953 to 1961 and later served for two years under the late President Park Chung Hee as deputy premier for economic planning.

Since 1973, he has been president of the Korean Traders Association, which represents most of the country's large trading companies. He has never been prominent in South Korean politics but is well known in business circles.

Meanwhile, the military leadership disclosed that it had arrested a prominent opposition leader, Kim Dae Jung, on grounds that he was "a threat to national security."

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South Koreans with sticks ride a captured armored car and military truck in Kwangju yesterday.

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The militants' communiqué said that the newly elected parliament, designated by Ayatollah Ruhollah Khomeini to decide the hostages' fate, must vote to try them because it was "the demand of the imam [Ayatollah Khomeini] and the nation."

The International Court of Justice in The Hague will rule Saturday on the U.S. claim that Iran must release the hostages, pay damages for seizing them and prosecute those responsible. The court has no enforcement power; that rests with the UN Security Council.

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Among South Africans it is the ultimate metaphor for isolation, but it is attracting fresh attention because of a campaign to free one of the 480 prisoners, a tall, imposing man by the name of Nelson Mandela. Known to the South African press in his younger days as "the Black Pimpernel," he heads all lists of the man most likely to be prime minister if black rule comes to South Africa.

Almost 16 Years

Mr. Mandela, 61, will have been on Robben Island 16 years next month — the first decade working in the prison's limestone quarries. He now works in the garden in the prison compound.

Once described by a South African judge as "the leader and figurehead of his people," he was at his conviction in 1964 the top official of the African National Congress, the body that has led black resistance for most of this century. Its intensified campaign of urban guerrilla attacks is now creating new anxieties among whites.

blacks. In Cape Town and other major cities, whites put "Free Mandela" stickers on the bumpers of their cars, and several prominent Afrikaners, the Dutch-descended whites who control the government, added their backing.

Surprising Support

The most surprising was Gen. Hendrik van den Bergh, who as chief of the security police played a personal role in Mr. Mandela's imprisonment. The general, who later founded and led the Bureau for State Security, an agency with a worldwide network of undercover agents, said from retirement that Mr. Mandela had "served his debt to society" and should be released.

Last week, Helen Suzman, a member of the parliamentary opposition and a persistent critic of the government, was permitted to visit Robben Island for talks with Mr. Mandela and other prisoners, a small sign that the government attitude might be softening. But the formal position remains unchanged.

If the government considered his release, it probably would attach a condition advocated by the Sunday

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More than 100,000 citizens, including students from two universities, reportedly poured into the streets of Kwangju to battle riot police and martial law troops. Demonstrations spread to the neighboring South Cholla province towns of Raju, Chang Sung and Mokpo as busloads of demonstrators reportedly fanned out from Kwangju to spread the protest.

In Seoul, the martial law command blamed the insurrection in part on North Korean spies who, it asserted, started fires, destroyed buildings and incited local antagonisms.

The fighting in Kwangju began four days ago as a student protest against the military takeover Saturday night, which was followed by arrests of key political figures and scores of other dissidents.

Acting Premier

With the rest of the country quiet, and a group of generals holding power, a new acting premier was announced: Park Chung Hoon 61, a retired air force general, former minister for economic planning, and current head of a trade association.

A new Cabinet to replace the one that resigned yesterday also was announced. Eight key ministers survived from the former Cabinet and 11 new ministers were appointed, of which three had held other posts in the old Cabinet. The new Cabinet represents the choices of military leaders who engineered the bloodless coup Saturday with a martial law authorization.

The appointment of an acting premier was mysterious, as are all public events in a country now ruled from behind the scenes by generals. It was not formally announced by President Choi Kyu Hah, who has not been seen in public since Friday. Instead, Mr. Park's name was telephoned to newspaper offices by a presidential spokesman.

South Korean reporters assigned to cover the presidential office have not been permitted to go near it. Mr. Park carries the title of acting premier because the appointment of a permanent one would require approval of the National Assembly, which has been barred from holding meetings by the martial law command.

Suh Ki Won, a presidential spokesman, said in a statement that the "basic direction" of the Cabinet would be to ease public worries, particularly about economic problems.

Trade Leader

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Since 1973, he has been president of the Korean Traders Association, which represents most of the country's large trading companies. He has never been prominent in South Korean politics but is well known in business circles.

Meanwhile, the military leadership disclosed that it had arrested a prominent opposition leader, Kim Dae Jung, on grounds that he was "a threat to national security."

Question of Sanctions

A major question has been whether the United States might strike back by withdrawing some of the more than 30,000 U.S. troops stationed in South Korea, or by applying economic sanctions.

The best available indication is that no military, economic or diplomatic pressure is being planned. A State Department statement that the takeover is "deeply disturbing" is as far as the United States will go now. The only other tactic was a warning that Americans should travel to South Korea only if absolutely necessary, a warning that could have economic disadvantages for South Korea.

The vast expansion of martial law Saturday night surprised U.S. officials. Ambassador William Gleysteen was informed of it about 45 minutes before the Cabinet was called into an emergency meeting in a building surrounded by troops.

It was another example of the new military leaders' indifference to (Continued on Page 2, Col. 7)

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Soviet Peace Offensive Conceals Lack of Movement on Positions

By Craig R. Whitney

MOSCOW, May 21 (NYT) — The initial indications from here are that there is less to the current Soviet peace offensive than meets the eye.

By their actions on several fronts in the past week, the Russians have created the impression of movement. Warsaw Pact leaders called last Thursday for a global peace conference. Foreign Minister Andrei Gromyko had his first talk with the U.S. secretary of state, Edmund Muskie, in Vienna on Friday, and President Leonid Brezhnev conferred for five hours with President Valery Giscard d'Estaing of France in Warsaw on Monday.

However, judging from what ranking Soviet officials as well as Western diplomats in Moscow have said about the talks, the flurry of activity conceals a lack of change in any of the basic Soviet positions in the impasse resulting from their in-

tervention in Afghanistan last December.

"The Soviet Union has never said it wanted to break off contacts with anyone," a Soviet diplomat said after the Franco-Soviet summit meeting. "It was useful to get to know your new [U.S.] secretary of state and let him know our position. It was logical for Mr. Brezhnev to meet with the French president."

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since we have had regular consultations and exchanges ever since de Gaulle's visit to Moscow in 1966. Whatever comes out of it, it won't be war."

Mr. Giscard d'Estaing said after his talk with Mr. Brezhnev that he had not expected to achieve a breakthrough with the Russians on Afghanistan. Pravda, commenting yesterday on the visit as "a fruitful exchange of views," acknowledged:

"Of course, in the foreign policy sphere there are differences of views on some questions between the Soviet Union and France."

The biggest problem is Afghanistan. Soviet officials say that there has been no change in Moscow's conditions for a troop withdrawal, although there was some elaboration of those conditions in an Afghan government statement last Wednesday that was part of the peace offensive.

The statement called on the United States, Pakistan and Iran to stop interfering in Afghanistan by giving aid and shelter to the anti-government rebels there. Only after bilateral agreements "putting an end to armed invasions," only after guarantees by the United States that the "invasions" would stop, could Soviet troops be withdrawn, the statement said.

In the view of most Western diplomats here, this has been the Soviet position from the outset. Mr. Brezhnev said in his first public statement on the intervention last Jan. 12 that his troops would leave as soon as the reasons for their going ceased to exist — that is, when all resistance to the Marxist government in Afghanistan was eliminated.

Mr. Muskie described this plan as "cosmetic and not a meaningful proposal." On Monday, a Soviet diplomat here described it as "quite realistic."

It offers a basis for a solution," the Soviet diplomat said, "but first the United States has to stop supplying weapons to the so-called Afghan freedom fighters. There's plenty of evidence that this activity is going on."

Mr. Gromyko's willingness to see Mr. Muskie, and Mr. Brezhnev's secretly arranged exchange of views with Mr. Giscard d'Estaing, also represented no change in the Kremlin's position. Ever since the United States reacted to Afghanistan by cutting back on grain sales, trade and high-level exchanges with the Soviet Union, the Russians have portrayed themselves as the aggrieved party and said that they would be willing to talk as soon as Washington came back to its senses.

Over the past few months, the U.S. ambassador to Moscow, Thomas Watson Jr., has maintained contacts with well-placed Soviet officials. They have accepted his invitations with alacrity, but have had nothing encouraging to offer.

The Russians insist that relations with the United States cannot improve significantly until the U.S. Senate ratifies the strategic arms limitation treaty that Mr. Brezhnev and President Carter signed in Vienna last June. Privately and publicly, they insist that the Carter administration's reasons for not pressing for ratification now — because of the furor in the U.S. Senate over Afghanistan — are not genuine.

The Carter administration will just have to state all these tricks and take a more constructive approach," a Soviet official said Monday. "There's been one excuse after another for not ratifying the treaty, and we regard all of them as deceptions."

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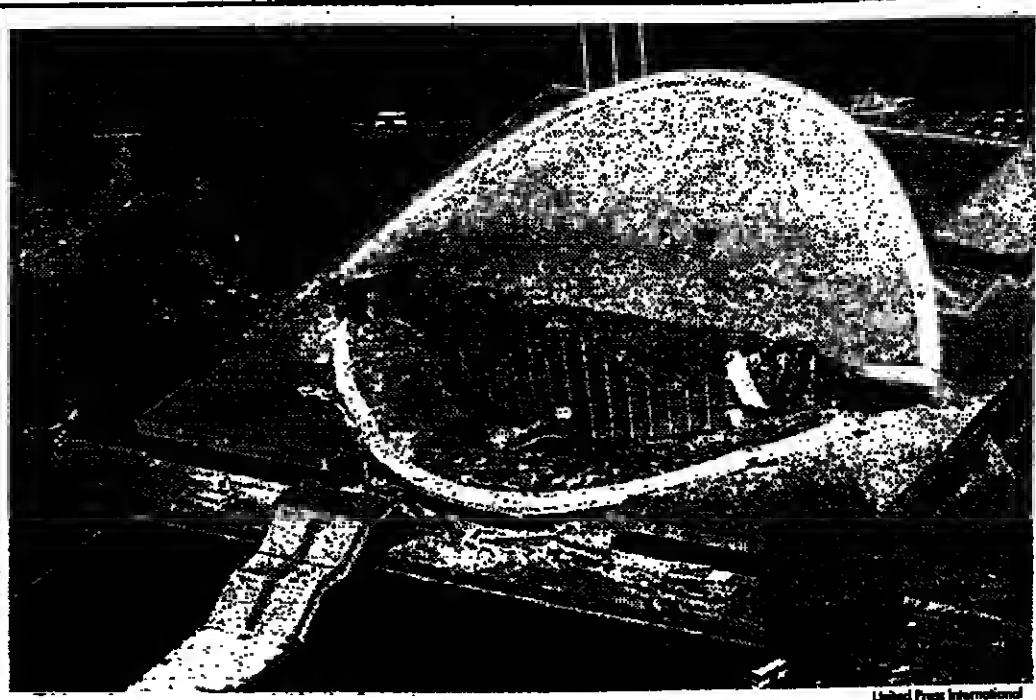
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CAVE-IN — Nearly a third of the roof of the Congress Hall, a sweeping U.S.-built glass and concrete structure that has become an architectural landmark in West Berlin, collapsed yesterday, injuring five persons. Officials said about 120 persons attending a convention of West German businessmen escaped unhurt out the back door of the hall in the Tiergarten district. An analysis showed structural fatigue apparently caused a support to buckle, forcing the overhanging front roof to collapse and crushing the entrance of the building, police said.

Giscard Receives U.S. Ambassador

France Briefs NATO Allies on Summit

By Flora Lewis

PARIS, May 21 (NYT) — France launched intensive efforts yesterday to brief its allies on the talks that President Valery Giscard d'Estaing held Sunday in Warsaw with President Leonid Brezhnev of the Soviet Union.

The official French position was that the talks accomplished exactly what Mr. Giscard d'Estaing intended: They kept open the lines of East-West communication. But spokesmen acknowledged that nothing beyond that had been achieved, although they insisted that there had been an improvement in the tone of Soviet opposition to the deployment of medium-range nuclear missiles in Western Europe.

The Russians still showed no interest in NATO's offer not to deploy the missiles in return for the

withdrawal of Soviet SS-20 missiles targeted on Western Europe, a high Foreign Ministry source said. Instead, he said, Mr. Brezhnev indicated that Moscow intended to add to its forces — particularly the shorter-range SS-21s, SS-22s and SS-23s, which are being deployed in the Warsaw Pact countries — before considering negotiations.

Envoy Speaks Out

This position was also expressed in Paris yesterday by the Soviet ambassador, Stepan Chervonenko, who has become an important spokesman for Moscow's foreign policy. Addressing a press lunch, he said that "the Soviet Union and its allies have sufficient means for not permitting a change in the balance of forces," which he charged the United States was trying to upset in favor of "an aggravation of NATO's existing superiority."

The allies were being told that Mr. Giscard d'Estaing went along with the Soviet proposal for a world summit on détente, but insisted that it take place in 1981 because he felt that by then the Russians would be feeling the consequences of failure in Afghanistan and be tempted to negotiate their way out.

"Divisibility of Détente"

Elections are to be held in the United States and West Germany this year and in France in the spring of 1981, and these were seen as obvious factors in Mr. Giscard d'Estaing's timing. Spokesmen said that Mr. Brezhnev indicated that he did not expect to be able to find grounds for improvement in relations with the United States until after the fall elections.

The French sources admitted that a negative side of the Warsaw talks, and of Mr. Schmidt's scheduled visit to Moscow after the Western summit conference in Venice next month, was that such talks implied the "divisibility of détente" — that is, that stable East-West relations were possible in Europe despite Soviet expansion elsewhere.

They asserted that there was a positive side, however, in heading off a fierce Soviet campaign against Mr. Schmidt for continuing to endorse the NATO missile plan, and that France had stiffened Mr. Schmidt's resolve after the West German chancellor had begun to waver on the issue. This has not been confirmed by Bonn.

Opposing Views

Essentially, the theme being voiced by French spokesmen is that the gravest danger to East-West relations is not the Soviet Union but in on itself. It is therefore essential to open communications that will give the Soviet leaders an exit from the circle in which they have enclosed themselves since the intervention in Afghanistan, it is argued.

Despite formal insistence that France has the same judgment of the situation as its allies, it is in fact the opposite of Washington's view that Moscow must be made to feel the cost of its aggression by isolation and loss of acceptance and influence in the rest of the world.

Mr. Giscard d'Estaing's view that it is more important to maintain contact with Moscow than to demonstrate united Western resistance has evidently not changed since the beginning of the year.

The Foreign Ministry source said that last weekend's meeting was conceived in January, advanced by a visit in late April by Warsaw by Michel Poniatowski, a friend of Mr. Giscard d'Estaing, and confirmed and arranged in detail by an aide on May 8 and 9.

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Federal Inquiry

Rights-Abuse Probe Miami Police Set

By John M. Crawford

May 21 (NYT) — A federal inquiry into the alleged rights-abuse by Miami police officers is being set up by the Justice Department. The inquiry will look into the alleged rights-abuse by Miami police officers in the aftermath of the shooting of a black man, a 33-year-old, who was shot and killed by a police officer. The inquiry will look into the alleged rights-abuse by Miami police officers in the aftermath of the shooting of a black man, a 33-year-old, who was shot and killed by a police officer.

Feelings in Miami's black community had been running high for months over what many saw as mistreatment by the police, but there had been no flare-ups of violence before the shooting of the man. The shooting occurred in the aftermath of the shooting of a black man, a 33-year-old, who was shot and killed by a police officer. The inquiry will look into the alleged rights-abuse by Miami police officers in the aftermath of the shooting of a black man, a 33-year-old, who was shot and killed by a police officer.

Not Charged. Last October, a 22-year-old black man was shot and killed by a police officer. The inquiry will look into the alleged rights-abuse by Miami police officers in the aftermath of the shooting of a black man, a 33-year-old, who was shot and killed by a police officer.

They're listening now, the official said. "It's usually before a riot that they don't listen." The inquiry will look into the alleged rights-abuse by Miami police officers in the aftermath of the shooting of a black man, a 33-year-old, who was shot and killed by a police officer.

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Associated Press
Ivan Sharpe, a reporter for the San Francisco Examiner, is hoisted by Sgt. Richard Harder, a paramedic, into an Air Force Reserve helicopter after the newsman became stranded in heavy ash near the Mount St. Helens volcanic eruption. Both were slightly injured and taken to a hospital in Kelso, Wash.

Carter to Inspect Damage From Volcanic Eruption

By Bayard Webster

WASHINGTON, May 21 (UPI) — President Carter left today to inspect the damage from the Mount St. Helens volcano in Washington state.

The White House said that Mr. Carter would spend the night in Portland, Ore., then fly by helicopter tomorrow over the mudflows, floods and debris caused by the eruption.

Before he left for the West Coast, the president signed a declaration making the state of Washington a major disaster area, eligible for federal funds for relief and recovery efforts in designated areas.

He also announced formation of a team of scientists "to direct and coordinate the collection and dissemination of scientific information about the volcanic eruption and its effects on people and their environment."

Jody Powell, the White House press secretary, said that Mr. Carter had decided to tour the area at the urging of state and federal officials. Mr. Powell said that the damage "is much more extensive than originally thought."

Mount St. Helens erupted Sunday, killing at least eight persons and leaving ash, mud and floods in the surrounding areas. The volcano continued pumping smoke and ash into the sky today, feeding a 3,000-mile-long cloud of ash moving across the nation.

Little Effect Seen
On World Weather
By Bayard Webster

NEW YORK, May 21 (NYT) — The volcanic eruption of Mount St. Helens has produced a huge cloud of gas and infinitesimal particles of volcanic debris that is dispersed in irregular patterns over most of North America. However, scientists who have studied previous major volcanic disturbances expect the eruption to have relatively little effect on the Earth's climate or weather patterns.

Samples of the cloud have not yet been examined, and scientists say they cannot predict what environmental effects may result from the many chemical substances contained in it.

Several of these substances contribute to the formation of acid rains, which have already become a major environmental problem in many areas, especially parts of North America. Some radioactive substances have also belched forth from the volcano, but most of them, such as some forms of radon, have relatively short radioactive lives.

Preliminary tests of the volcanic plume and of the vapors that are still issuing from the volcano mouth also indicate that there may be future problems. Scores of toxic chemicals are contained in the volcanic cloud, among them sulfur oxides, hydrogen sulfides, nitrogen oxides and carbon compounds.

Although the eruption produced a stratospheric cloud of volcanic dust and has been violent and deadly in its explosive activity, Mount St. Helens ranks well below many other similar volcanic actions. For example, the Krakatoa Island eruption in 1883 is estimated to have been 10 times as powerful as the largest hydrogen bomb exploded by the United States, and its cloud of dust circled the Earth for several years.

Scientists at the National Oceanic and Atmospheric Administration estimate that in the next several months the cloud will become homogeneous, with a thickness of about two miles, and will cover the Northern Hemisphere in the stratosphere at an altitude of more than 55,000 feet for about two years.

Lester Machta, director of the administration's Air Resources Laboratories, said that until the results of cloud samples being collected by National Aeronautics and Space Administration aircraft were examined in the laboratory, it would be difficult to make definitive predictions of what impact the volcanic cloud would have on Earth.

"But from our studies of previous eruptions," he said, "we can make pretty good estimates of what effects this one will have. The big particles have already fallen and the slightly smaller ones will fall out in the next few weeks." He said the microscopic particles, less than a

House-Senate Conference

Tentative Accord Reached On Balanced U.S. Budget

From Agency Dispatches

WASHINGTON, May 21 — House and Senate negotiators reached tentative agreement today on a \$613.3-billion balanced budget for 1981, but its outlay for defense left House Democratic members deeply split and chances for House approval doubtful.

House conferees accepted a Senate proposal that called for \$153.7 billion for defense in fiscal 1981, which starts Oct. 1. The vote of House negotiators was 10-6, with five liberal and moderate Democrats and a conservative Republican casting the negative votes.

Last night, a tentative conference agreement on the budget appeared to have collapsed, threatening a serious disruption of the congressional budget process.

The understanding, worked out to break an earlier impasse, fell apart when five liberal House Democrats objected to the size of the proposed increase in defense spending.

The agreement would have raised military outlays from the House proposal of \$147.9 billion to \$154 billion, just \$1.7 billion short of the Senate's original proposal of \$155.7 billion. It would have made corresponding cuts in domestic programs, ranging from mass transit to public service jobs, and wiped out the House's proposed \$2-billion surplus.

"Giving Away the Store" — They were nickel-and-diming us on social programs and giving away the store on defense," complained Rep. William Broadhead, D-Mich., who was joined by Reps. Leon Panetta, D-Calif., Norman Mineta, D-Calif., Richard Gephardt, D-Mo., and Timothy Wirth, D-Colo., in blocking the agreement.

Sen. Ernest Hollings, D-S.C., the Senate Budget Committee chairman, laid the blame for the unraveling on the House liberals, who he said reneged on the package. Other sources said Rep. Panetta and Rep. Wirth first indicated they would go along with the proposal with stipulations but then, after a dinner break, re-emphasized their objections.

The agreement closely resembled an amendment to increase defense spending by \$5.1 billion that was offered on the House floor by Reps. Marjorie Holt, R-Md., and Phil Gramm, D-Texas, last month and resoundingly defeated.

Earlier yesterday, Rep. Giaino indicated that the House conferees would be willing to go as high as \$153 billion for defense if they did not have to make more concessions on critical social programs. The Senate conferees pointed out that \$154 billion for defense was their absolute minimum, even though it was far from the kind of 50-50 split that conferees frequently make.

Testing the Senate — Rep. Giaino appeared ready to break off the conference and take the issue back to both houses if no agreement was reached today. Sources said that one course of action might be for the House to vote on its own final offer and then submit that version to the Senate, thereby testing whether Sen. Hollings and his conferees represent the real priorities of the Senate.

Conferees have had to go back for instructions on budget resolutions before, but not on such a deep split involving the heart of the measure. Such an impasse could compound the economic and political strains that already are threatening to foil a joint drive by President Carter and Congress for the first balanced budget in 12 years.

The deadlock began to take shape toward the end of a 13-hour session Monday, when the Senate conferees signaled they would not budge far from their original defense proposal. They came down on defense by \$300 million, while the House group indicated willingness to add \$4.1 billion to its defense proposal.

On domestic programs, according to Rep. Giaino, the House came down \$6.5 billion, while the Senate agreed to only a \$2.8-billion increase from its figures.

Quake Hits Yugoslavia — BELGRADE, May 21 (Reuters) — A strong earthquake shook an area in eastern Yugoslavia today that had been hit by a quake Sunday, officials said.

Christie's New York

Thursday, June 5 at 10 a.m. and 2 p.m.
Important Paintings by Old Masters



Sir Peter Paul Rubens: Portrait of a Man, said to be Pieter Pecquius, on panel, 61cm. by 47cm.

This sale also includes a group of 26 paintings from The Metropolitan Museum of Art, the collection of George R. Hann and other works by: Peter Paul Rubens, Giovanni Domenico Tiepolo, Jacob van Ruisdael, Jan Baptiste van Forment, Marguerite Gerard, Louis Leopold Boilly, Sir Thomas Lawrence, Sir Joshua Reynolds, Sir Henry Raeburn, Giovanni Paolo Pannini and Esias can de Velde.

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Kennedy Asserts Economy Needs a 'New Partnership'

NEW YORK, May 21 (LAT) — President Jimmy Carter's economic policy is being challenged by Sen. Edward Kennedy, D-Mass., who asserted yesterday for a "partnership" of U.S. business and government that would help to revive the nation's industrial might.

Sen. Kennedy would propose within 100 days of his inauguration the creation of an American Industrialization Corp. to help direct an overhaul of the industrial machine.

He proposed the plan to a group of supporters as he opened his campaign in New Jersey last week. He said that the plan would provide grants, loans, guarantees and interest subsidies to finance economic development.

Reindustrialization — "Our goal must be nothing less than the reindustrialization of America," Sen. Kennedy said. "We can plan coherently for the rapid modernization of the steel and auto industries and for the well-being of their workers in the meantime."

"We can reduce the plague of plant closings that threatens to turn industrial communities into ghost towns. We can secure for women a fuller role and a fairer share of our economy, tapping their talents and skills, guaranteeing them equal pay for work of comparable worth. And we can at last break the grip of the OPEC rulers on our economy."

U.S. dependence on oil from the Gulf region is so pervasive, Sen. Kennedy said, that it now even threatens to infringe on U.S. freedom of press and expression. That was a reference to Saudi Arabian attempts to limit the viewing of the program "Death of a Princess" last week.

"Until we end our oil dependence, America's economy cannot be truly free," he said.

Appeal for Funds — Kennedy last Thursday, in an appeal to supporters for carry on the campaign, noted that 696 delegates chosen June 3 in eight states, including California, Ohio, New Jersey, and others, would meet at state conventions between June 4 and the opening of the National Convention in August 11 — 68 percent under needed for nomination.

Sen. Kennedy's drive is to pound away at Carter on the economy. In his address yesterday, he said the administration for about a "deliberate recession."

"It is with a deepening pessimism, even fear, that we see the steadily worsening state of our economy — inflation, unemployment, and a loss of confidence in the future."

Geneva Rated Highest in Europe
City for Foreign Businessmen

GENEVA, May 21 (AP) — Geneva is the most desirable West European city for foreign businessmen to live in and Athens is the least desirable, according to a recently published survey of corporate executives.

The study also showed that Frankfurt is the most expensive place for a company to send an executive and that Dublin is the cheapest. The survey by Management Center Europe was based on business statistics and interviews with executives of about 5,000 international corporations. MCE is the European branch of the American Management Association.

New York was the only non-European city on the list. Reliability was measured by questions on working conditions, standards, weather, ability to make friends with other foreigners, the local people, food, health, security, schools and cultural life.

Rankings, in terms of desirability, were: Geneva, Brussels, New York, London, Rome, Dublin, Vienna, Helsinki, The Hague, Madrid, Frankfurt, Copenhagen, Oslo, Stockholm, Lisbon, Athens.

Detailed explanations of the ratings were given, but the survey that Athens was rated "bad" as a place for foreign businessmen to live, and its health standards and transportation were rated as "fair." Athens' only "excellent" rating was for its weather for recreation. No other city received a rating in any category. Geneva was rated "excellent" or "good" on all counts.

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Obituaries

Renee Brasier, Guarded
Herald Tribune Archives

PARIS, May 21 (IHT) — Renee Brasier, 81, former business manager and general manager of the New York Herald Tribune European Edition, the forerunner of the International Herald Tribune, died May 8 in Paris, her family has announced.

Miss Brasier joined the newspaper in 1920 and was appointed business manager in 1934. She was general manager from 1945 until her retirement, for health reasons, in 1947.

Remaining alone at the Herald Tribune's offices on the Rue de Berri during the German occupation of France in World War II, she preserved intact the paper's equipment and archives from 1941 until 1944. The Herald Tribune suspended publication in Paris on June 12, 1940.

She hid clippings, photos, bound volumes and administrative files. She also stockpiled several tons of printing materials, thereby permitting the U.S. Army newspaper, Stars and Stripes, to publish at the Herald Tribune plant shortly after the occupation ended. Four months later, on Dec. 22, 1944, the Herald Tribune resumed publication.

Persuaded Germans

At one point she persuaded the German command out to set up a military tribunal in the Herald Tribune offices. The equipment and files of other occupants of the Rue de Berri building also were preserved after they had fled before the German advance.

Miss Brasier was awarded the U.S. Medal of Freedom for her efforts in favor of the Stars and Stripes, being cited for exposing herself to "personal danger in order to procure metals, equipment and other materials and, through zeal, ingenuity and willingness to place her own funds at the newspaper's disposal, enabled the Stars and Stripes to serve the troops with a paper without delay."

She also was awarded the French Legion of Honor.

During World War I, Miss Brasier worked with the American Red Cross.

E. Martin Browne

NEW YORK, May 21 (NYT) — E. Martin Browne, 80, a British stage director who specialized in the plays of T.S. Eliot and other works with a religious or poetic content, died this month in London, where he lived.

Mr. Browne established his reputation as a director in 1935 when he was invited to direct Eliot's "Murder in the Cathedral" at the Canterbury Cathedral Festival. Eliot regarded him as the only director to whom his plays could be entrusted.

Mr. Browne was called on to stage other Eliot plays — "The Family Reunion," in 1939; "The Cocktail Party," in 1950, with simultaneous productions in New York and London; "The Confidential Clerk," at the Edinburgh Festival and on the London stage in 1953 and in New York in 1954, and "Elder Statesmen," in Edinburgh and London in 1958.

Hiroshi Inagaki

TOKYO, May 21 (UPI) — Hiroshi Inagaki, 74, one of Japan's leading movie directors, died today. He won the Grand Prix at the Venice Film Festival in 1958 for "Mukomatsu No Issho," depicting the life of a rickshaw man and starring Toshiro Mifune.

Mauro Reggiani

MILAN, May 21 (AP) — Mauro Reggiani, 82, a painter who was one of the precursors of Italian abstract art, died Monday.

Grayson Maynard Enlow

MISSION, Kan., May 21 (AP) — Grayson Maynard Enlow, 63, the voice of Lamont Cranston, "The Shadow" on U.S. radio during the late 1940s and early 1950s, died Sunday. He was one of about 10 Shadows, the most notable being Orson Welles, who Mr. Enlow said was his idol.

Fay Stender

SAN FRANCISCO, May 21 (UPI) — Fay Stender, 48, a California activist attorney, died this week in Hong Kong, her family reported yesterday. Mrs. Stender had been confined to a wheelchair after being shot last year by a former prison inmate.

Roger Lalouette

PARIS, May 21 (Reuters) — Roger Lalouette, 76, a former French ambassador to Vietnam and Czechoslovakia, died Sunday, his family said today. Mr. Lalouette served as ambassador to Vietnam from 1958 to 1964 and to Czechoslovakia from 1964 to 1969.

Russian Tower
World's Tallest
— If It's Built

MOSCOW, May 21 (AP) — Soviet architects have designed a tower a kilometer high — 3,281 feet — that would be the tallest man-made structure in the world, design officials said today. But the architects are still awaiting a go-ahead and a site.

A Moscow newspaper announced yesterday the development of the tower by a local steel construction institute. It would have a diameter of 32 feet at the base and 23 feet at the top, and would be designed to withstand strong winds.

The paper did not reveal the tower's purpose, but institute officials said today that the design had been ordered by the Soviet meteorological service for mounting weather instruments.

The world's tallest free-standing structure is the 1,822-foot CN Tower in Toronto. The Ostankino television tower in Moscow is 1,771 feet tall.

Exiled Libyans
Are Murdered in
Rome, Athens

ROME, May 21 (AP) — Killers stalking exiled Libyans have claimed their seventh and eighth victims in Europe in two months — a Libyan-born, naturalized Tunisian lumber trader last night in Rome, and an opponent of Libyan leader Col. Moammar Qadhafi today in Athens.

The killers in Rome left a note signed by the "Libyan Revolutionary Committees in Rome," warning that "the enemies of the people will be reached wherever they are," authorities said. The victim, identified as Mohamed Fouad Buhajir, was found under his bed at a pension.

The Athens victim, who was not identified, was said by neighbors to be a critic of Col. Qadhafi. Before the latest killings, three Libyans had been killed in Rome, two in Lido and one in Bonn since March 21. European sources familiar with Libyan affairs see the wave of killings as a reaction to opposition from wealthy Libyans who object to Col. Qadhafi's nationalization of the economy.

The murders have coincided with a crackdown against Libyan dissidents at home.

Jammed Door Delays Start
Of A-Plant Cleanup in U.S.

By Ben A. Franklin

MIDDLETOWN, Pa., May 21 (NYT) — Two men in heavy protective clothing failed to enter the highly radioactive containment dome of the crippled Three Mile Island nuclear reactor last night.

The first step toward a decontamination process that may require months or even years was blocked by a jammed airlock door.

The first human entry through the airlock of the nuclear plant's Unit 2 since the reactor went out of control 14 months ago was to have been a guarded, quarter-hour inspection visit.

Only a small area of the darkened interior, a section shielded from the partly melted reactor core by a concrete deck, was to have been seen by the two Metropolitan Edison Co. engineers, William Behre 34, 36, and Michael Benson, 27, both volunteers. Their assignment was to measure radiation levels inside the building, look for radioactive hot spots, take "swipes" of particulate matter on the containment walls and make a series of photographs with a special camera.

Mr. Behre and Mr. Benson have worked for several years for Metropolitan Edison, which operates the nuclear plant, or for its parent company, General Public Utilities.

Both men, who wore self-contained breathing devices and multiple layers of protective clothing, had practiced for yesterday's assignment for weeks in Unit 1, the disabled reactor's twin, which is operable but has been ordered closed by the Nuclear Regulatory Commission because auxiliary equipment was being used in the cleanup.

Reporters were kept a half-mile from the plant at Metropolitan Edison's public observation post overlooking the Susquehanna River. Ten company and government officials were allowed into a cramped control area set up outside the 9-by-12-foot airlock tunnel.

The chief contaminants inside the containment building are the partly melted fuel rods of the core, several stories below the level involved yesterday, and about 700,000 gallons

of radioactive water that spilled on the floor of the building during the accident.

Other Concerns Raised

MIDDLETOWN, Pa., May 21 (AP) — Officials said today that the attempt to enter the reactor building, barred by a possibly rusty door, raised concerns about other conditions inside the building, which has gone without maintenance since the accident.

"The door itself is not the problem; the problem is what it means about the condition of other equipment," said Robert Arnold, chief of recovery operations for Metropolitan Edison.

The chief concern is the operation of huge fans that keep the building at negative pressure. If they fail, officials said, it raises the possibility of uncontrolled radioactive leaks.

Mr. Arnold said it will be several days before Metropolitan Edison will be able to say when it expects to try again. He said the next attempt would probably be limited to fixing the door. The door to halt the project came at about 9:25 p.m., almost two-and-a-half hours after Mr. Behre and Mr. Benson tried to open the door.

"We were shoving more than anything else," Mr. Benson said. "With all the clothes we had on, the only place we had any leverage was our shoulders. The door didn't budge at all. It was like hitting a wall."

Earlier yesterday, in preparation for the entry, technicians completed a controlled, 25-hour release of a small amount of krypton gas from the airlock.

Ladbroke's Closes

Last London Casino

LONDON, May 21 (Reuters) — Ladbroke's, one of Britain's biggest gambling groups, said yesterday that it was pulling out of the lucrative casino business and dropping its appeal against the loss of its gaming licenses.

Its last London casino, the Park Tower, closed yesterday. Three other Mayfair casinos that it had operated, the Hertford, Park Lane and Ladbroke Club, were shut after a court ruled that Ladbroke's was not fit to hold gaming licenses. Ladbroke's diversified only recently from betting shops into the casino market.

Donkey Kills Its Owner

TEL AVIV, May 21 (AP) — A donkey bit his elderly master to death near Ramallah in the occupied West Bank, Israeli radio reported yesterday. Police believe that the man was trying to bridle the donkey when it broke free, pushed him to the ground and bit him to death.

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Arrivals Not Considered Refugees

to View Cubans as Seeking Asylum

Robert Pear

WASHINGTON, May 21 (NYT) — The House aide said yesterday that Cubans arriving in the United States should be treated as applicants for asylum, not as refugees. When the president's authority is not clear, he said, Mr. Carter should be admitted to live permanently in the United States.

Mr. Carter, special assistant to the president, said that the president's policy is to treat Cubans as refugees, not as the emergency law prescribes.

Mr. Watson said that the new law prescribes elaborate procedures for consultations with Congress. For example, the administration would have had to submit "an analysis of the anticipated social, economic and demographic impact" of the Cubans' admission to the United States, as well as some estimate of the cost of resettlement.

Other Country

Mr. Watson said that the new law prescribes elaborate procedures for consultations with Congress. For example, the administration would have had to submit "an analysis of the anticipated social, economic and demographic impact" of the Cubans' admission to the United States, as well as some estimate of the cost of resettlement.

More than 62,000 Cubans have arrived in the United States since April 21, including nearly 4,400 yesterday. About 23,000, most of them with relatives in the United States, have already been resettled.

Mr. Watson said that the administration had chosen Fort McCoy, an Army installation in Wisconsin, as the next site to be used for processing the Cubans. Eglin Air Force Base in the Florida panhandle and Fort Chaffee in Arkansas are nearly at capacity, having received 10,000 and 19,000 Cubans, respectively. Fort Indianawood Gap in Pennsylvania, with a capacity of 20,000, began receiving Cubans this week.

Applications for asylum from Cubans and Haitians would be treated similarly and reviewed on a case-by-case basis, Mr. Watson said. However, he acknowledged

that there would be so many applications that the administration might have to ask Congress for special legislation.

Although the administration contends that the Cubans and Haitians are being treated the same, the government is trying to expel many of the Haitians on the ground that they left their homeland for economic rather than political reasons.

Also, the United States has a 20-year history of special programs for receiving Cubans.

Under the new law, people who are defined as refugees, after living in the United States for a year, may become permanent residents, the first step toward citizenship. People granted asylum may stay indefinitely in that status, Mr. Watson said, and under the law, 5,000 a year may become permanent residents.

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ge in U.S. Rules Army
not Bar Homosexuals

WASHINGTON, May 21 (UPI) — A strict court judge struck down an Army regulation banning homosexual conduct by soldiers. The ruling, which was a surprise, said that the Army's ban on homosexuals was unconstitutional because it discriminated on the basis of sexual orientation.

The judge said the evidence was overwhelming that Ms. Ben-Shalom was not only suitable but an exemplary soldier. The Army offered no evidence that she had engaged in homosexual acts or made sexual advances toward fellow soldiers.

The regulation in question permits discharge of any soldier "who evidences homosexual tendencies, desires or interests." Under the regulation, Judge Evans said, no soldier would want to be caught reading anything construed as homosexual-oriented, be in the company of a homosexual or say anything supportive of homosexuals.

The judge noted that while the regulation is unclear on whether private conduct is protected by the constitutional privacy clearly protect one's sexual activities, in and of themselves, government regulation.

He said the Army must respect a person's sexual preferences or her duties as a soldier. He said the Army must respect a person's sexual preferences or her duties as a soldier.

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Yield New Data

turn's Rotation

WASHINGTON, May 21 (AP) — Studying data from the 1 and Voyager 2 spacecraft showed that the planet Saturn's rotation is about 25 minutes faster than previously thought.

The new data, obtained from the Voyager 2 spacecraft, shows Saturn's rotation period is 10 hours, 39 minutes, 4 seconds, 15 minutes.

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Asian Nightmare, American Dream — The Long Ordeal of the Refugees

By Iain Guest

GENEVA (HT) — Travis Air Force Base, near San Francisco, used to be one of the points of departure for U.S. troops in Vietnam. Today, it has a different function — it is a haven for many of the victims of the turmoil in Indochina who have been accepted for resettlement in the United States. Many have dubbed the base the Ellis Island of the West Coast.

There is relief on the faces that land at Travis. Behind them stretches a grim trail that began in the embattled countries of Cambodia, Laos and Vietnam and continued through months, sometimes years, in crowded, unsanitary refugee camps. For many, this came on top of harsh treatment in Vietnamese and Laotian re-education camps, or rape by pirates in the Gulf of Thailand.

It is an immense drama that arches across continents, and few of those involved are left unmoved.

Refugees look back on it as a time of hardship, boredom and helplessness. "As a refugee, you have no rights; once you take the decision to flee, your life is in the hands of others," said Southakone Khamvong, 32, who fled Laos in 1976 and is now settled in Oakland, Calif.

For the Office of the United Nations High Commissioner for Refugees (UNHCR), which spent \$83 million last year in Indochina (56 percent of its total budget), there is a constant battle to improve conditions in the camps and keep public opinion alert to what remains one of the world's major refugee crises. In the first three months of this year, 22,961 refugees fled from Indochina and were registered by UNHCR.

For the Intergovernmental Commission for European Migration (ICEM), a Geneva-based agency that transports the refugees to their final destination, it is one of the largest peaceful movements of people since World War II. So far, ICEM has shipped 363,000 Indochinese refugees to new homes. Since President Carter announced that the United States would accept 14,000 a month after last July's Geneva conference on refugees, 99,276 Indochinese refugees have gone to the United States.

Political Game

To diplomats and politicians, the refugees are part of the complex political game being played out in the aftermath of the Vietnam War. For the Vietnamese government, the exodus may offer the answer to famine, overpopulation or trouble from an ethnic Chinese minority that heads Peking more than Hanoi. To the Americans and their allies in the Association of Southeast Asian Nations (ASEAN), it is a stick with which to beat Vietnam, and by extension the Soviet Union, for the Vietnamese invasion of Cambodia.

Finally, for many resettlement workers in the United States, the refugees are a source of growing concern. They worry that the United States is bringing in too many Indochinese too fast, creating ghettos, putting pressure on jobs at a time of recession and causing the refugees themselves a huge culture shock.

What makes a refugee give up everything he knows and seek a new life? Irrespective of the country, the reasons are strikingly similar.

• Retaliation: Ke Ming Chan, 39, spent four years in a Vietnamese re-education camp for serving in the South Vietnamese Army. "It was very severe," he recalled in a camp in Kuala Lumpur. "People were tortured for refusing to take lessons by being locked in a steel box without ventilation for weeks. Many died."

• Famine: Refugees report harvest failures in Vietnam, while hundreds of thousands of Cambodians have been pushed up to the border with Thailand, where desperate efforts are under way by the Red Cross and United Nations Children's Fund to get seedlings into the country in time for the next harvest.

Liv Noun, who walked from her village in Battambang Province to collect 20 kilograms of rice at the Thai border camp of Nong Chan, confirms reports that the regime in Phnom Penh has strictly rationed what little rice is being produced in the villages. Like other refugees, she talks of receiving only 500 grams a month.

• Austerity: This has been defended by the Vietnamese government, which has proclaimed the need for belt-tightening after the war, particularly as Vietnam has been denied substantial assistance from outside the Communist bloc.

But refugees say that this extends to withholding permission to practice a profession, and paying absurdly low salaries to teachers, doctors and junior civil servants. A nurse, who escaped by boat and landed at Singapore, said she was paid \$3 a month — "simply not enough to live on."

• Ethnic problems: Since the U.S. withdrawal, the Communist regime of Laos has harassed the Laotian hill tribes of Hmong and Yao, who were among the most loyal allies of the United States. Last year, the Vietnamese expelled large numbers of its ethnic Chinese minority by boat, prompting the Geneva conference last July.

Ethnic expulsions have ceased, following Vietnam's promise to impose a moratorium. But many refugees still complain about discrimination against the Chinese.

A final reason for leaving is what diplomats refer to as "the pull factor" — Western broadcasts and letters from relatives that often paint an unrealistic picture of Western generosity, conditions in the refugee camps and the hazards facing those who flee.

Diplomats' Warning

Western diplomats expect a steady trickle of boat people to leave Vietnam as long as there are broken families and discontent with Vietnam's policies. But they feel that another major exodus is unlikely as long as Vietnam abides by the moratorium. The number of boat people who left Vietnam in March was 5,342, compared to 13,423 who left in the same month last year.

Vietnam is also thought unlikely to expel large numbers as long there is a chance of them leaving by plane at international expense under the "orderly departure" program, signed between UNHCR and Vietnam last May and reaffirmed at the Geneva conference.

Although UNHCR officials had hoped that thousands would be able to take advantage of the program, it has been stalled since December because Vietnam and the United States have presented different lists of names. While Washington is prepared to admit persons with relatives in the United States or who had close connections with the U.S. administration in South Vietnam, the Vietnamese have presented lists of exclusively Chinese names, adding to suspicions that they are trying to unload their Chinese minority.

In addition, the United States has insisted on being able to screen would-be emigrants before they leave Vietnam. But the Vietnamese have turned this down, apparently angered at the U.S. refusal to normalize diplomatic relations.

Diplomats in Bangkok see a breakthrough following Vietnam's recent presentation of a list of 1,500 names, together with contacts in the United States, that are acceptable to Washington.

The moment a refugee leaves his home, the welcome he will receive when he first seeks asylum and the conditions in the camps where he is put will hinge on the willingness of Western countries to offer him a permanent home — a fact of political life that initially angered Western diplomats, but to which they are now resigned.

Since the Geneva conference, the refugees have been moved out at roughly three times the rate of arrival. In the first three months of this year, 79,500 were resettled, compared to the 22,961 who fled.

As a result, refugees are not being turned away. Nonetheless, many officials in the governments of first asylum are still eager to deter them if possible, making the first taste of freedom far from sweet.

Those who cross the Mekong River from Vietnam, the capital of Laos, into Thailand are put into a small detention center in the town of Nong Khai before being sent to a nearby camp administered by UNHCR. The center is an acre square, with tall, corrugated-iron walls topped with barbed wire. It was built for 250 people, but three months ago held as many as 5,000. Atrocious sanitation has led to several cases of cholera.

Since January, refugees who have fled to Thailand's eastern border with Cambodia have not even been able to enter Thailand, but forced to stay in temporary shelters along the border.

Valuables Taken

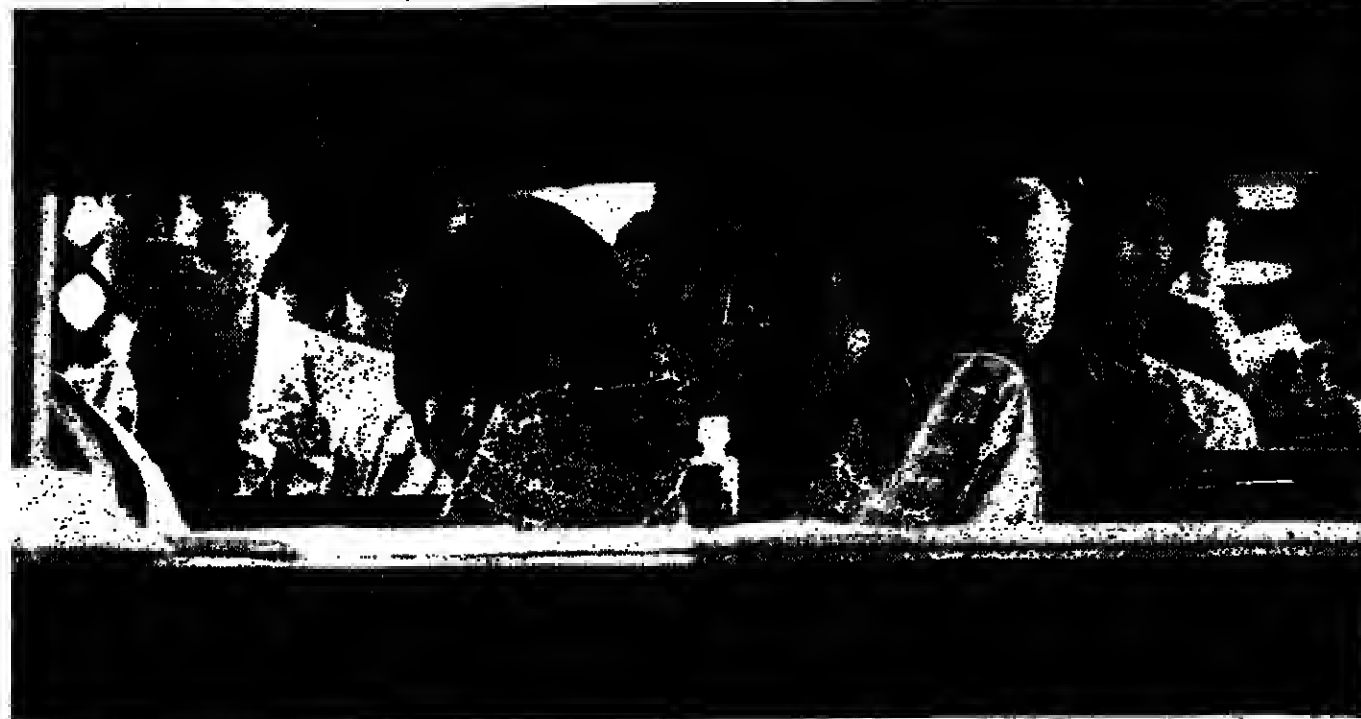
The boat people's first experience of Malaysia is likely to be arrest by a village militia. They are then taken over by the police, who, according to Western diplomats in Kuala Lumpur, relieve them of gold and valuables, which are rarely returned. They then proceed to three camps, of which the biggest is Pulau Bidong, a tiny island off the state of Trengganu. There they stay until called for resettlement.

The welcome by Thailand and Malaysia is certainly less friendly than last year, when the Thai repatriated 45,000 to Cambodia and the Malaysians towed 40,000 boat people back out to sea. But the attitude of the two governments is still wary, and the refugees are pointedly referred to as illegal immigrants.

In the case of Thailand, which has been taking in Indochinese refugees since the battle of Dien Bien Phu in 1954, the concern is of being swamped by far greater numbers of Khmer than the West would be prepared to accept for resettlement. The new premier, Gen. Prem Tinsulanonda, is encouraging talk of repatriation to both Laos and Cambodia.

Officials in the government hope that the coming monsoons will force many Khmer back into Cambodia. But this will still leave, by some estimates, at least 200,000 refugees in holding camps who would not want to return under the current regime in Phnom Penh, leaving two unpalatable options: forcible repatriation, which diplomats fear would be a nightmare, or what is already being referred to as the "Palestinization" of the camps.

Caught in this dilemma, the Thais have pushed for an international conference on Cam-



Laotians wait to be interviewed by representatives of U.S. voluntary agencies at the Thai border transit camp at Nong Khai.

bodia, which is provisionally scheduled to begin at the end of this month. But few diplomats give it a chance of much success as long as the Vietnamese are opposed.

The ASEAN governments — Indonesia, Malaysia, Thailand, the Philippines and Singapore — are also cool to the refugees because of suspicions about China. Singapore and Indonesia feel that China has never given up its hope of local Communist parties gaining power and might try to appeal to the refugees.

Malaysia's minister of home affairs, Ghazali Shafie, remains concerned that the country's racial balance of Chinese and Malays could be altered unless the refugees, largely of Chinese origin, are isolated and moved on quickly.

Inside UN-administered camps, conditions vary enormously. In the northern Indonesian island of the Anambas, camps are still rudimentary. In Hong Kong, refugees can use electric rice cookers and receive good medical treatment. Malaysia's Pulau Bidong, which used to be foul, is much improved.

The key element is the speed with which refugees are moved. Long delays — Laotians have been in camps for more than five years — can cause profound depression, although almost no suicides have been reported.

Stuck on an Island

"Can you imagine what it's like to be on this island, and never get off, for 15 months?" asked Ly Hue Trinh, 25, who arrived on Pulau Bidong on Nov. 23, 1978, but does not have close enough ties in the United States to get out.

Despite such cases, the increasing speed of departure has meant that Pulau Bidong's population is down from 45,000 to 11,000. Through-

out most camps, the story is the same: Morale is rising because of the numbers leaving and improved conditions.

Where do the hitches occur in the resettlement process? A major one is political. Victor Palmieri, Carter's new coordinator for refugee affairs, argues that speedy resettlement of the refugees is essential for the security of the ASEAN members. But this has rebounded badly on the British colony of Hong Kong, which is not part of ASEAN and has a refugee population of 44,000 — double that of Malaysia.

Another notable delay in the resettlement process has occurred at the Bataan processing center in the Philippines, where a squabble over construction costs between UNHCR and the government is continuing.

Resettlement in the United States is handled by nine voluntary agencies under contract to the U.S. government. All nine are coordinated in New York, and also in the countries of first asylum, where agency teams take preliminary details of the refugees in the camps. These are then sent to the United States, where efforts are made to find sponsoring families to help the refugees get accommodations, work, and adjust to the new life.

At the same time, the U.S. Immigration and Naturalization Service sends teams to the camps to conduct interviews. "Generally, with the increased quota, they turn down very few," said Gary Shearer, a volunteer from Iowa working at Nong Khai.

About 3 percent, he estimates, are turned down; they will take their chances with other countries.

Once accepted, the refugees are taken over by ICEM, which conducts medical checkups and arranges for transport to transit camps before departure. Plane tickets are booked, emigration papers arranged, photographs taken.

Abrupt Contrast

Culture shock for most refugees begins in the airplane that whisks them in less than 24 hours to the United States — an abrupt contrast to the tortuously slow progress in and out of the camps.

Once at the Travis base, the refugees are checked through customs (and quickly relieved of antibiotics and hard drugs), then taken to an ICEM center at nearby Hamilton Air Force Base for new clothes and a night's rest before moving on to meet the family and agency that have agreed to sponsor them.

Although churches still call on congregations to offer homes, most sponsorships are arranged by the agencies themselves. All the indications are that they are hard pressed to find accommodations, and, more important, jobs.

The refugee's dream, nurtured through years in the camps, now becomes a reality. But officials involved in the U.S. program are well aware that his problems are just beginning — and that ahead lies a momentous change of lifestyle and years of adjustment.

"Anyone entering a new country is up against it," said Judith Webb, a U.S. official in Bangkok. "These people think they've suffered such trauma that it's all over when they reach the United States. But, of course, it isn't."

Despite the large numbers now entering the United States, since Carter increased the U.S. quota to 14,000 a month, almost no effort is made to prepare the refugees for their new life, and many officials are concerned that today's refugees will be condemned to welfare and life in a ghetto.

"We may be helping our allies in Asia moving them out fast, but we're almost building up trouble for ourselves and ours," said a relief worker in San Francisco. "The refugees in 1975 were well-educated, speaking and familiar with city life. I wave includes subsistence farmers and Vietnam who are often illiterate."

"They are used to a totally different life, the relief worker said. 'The problems are that much greater. The Laotians practice polygamy and have a Western basics like telephones and airplanes.'"

Initially, after 1975, the agencies spread the refugees evenly through states like California, Texas and Wisconsin because of the mild weather and be near other pockets of Indochinese.

Good Adjustment

Those in the 1975 wave of Vietnamese adjusted remarkably well. A recent survey by the U.S. government found that 35,000 of the U.S. government found that 35,000 percent were employed and that most had earned more than \$800 a month.

With unemployment in the United States increasing, several commentators have expressed concern about competition for jobs. This is not as a major problem, because the refugees appear to be taking lower-paid service jobs in the hotel industry, most of the apparent lack of any overall employment policy among the sponsors.

Some encourage the refugees to look for work as long as they want. "It's a way to recover from the trauma," said Jane Smith of the International Institute of the Americas in Oakland, which has sponsored one of the concentrations of Yao tribesmen in the United States.

She said that they can use the time to fish and avoid going into a pool of cheap labor. But other sponsoring agencies take a more site approach, and urge the refugees to find any job — to avoid going on welfare.

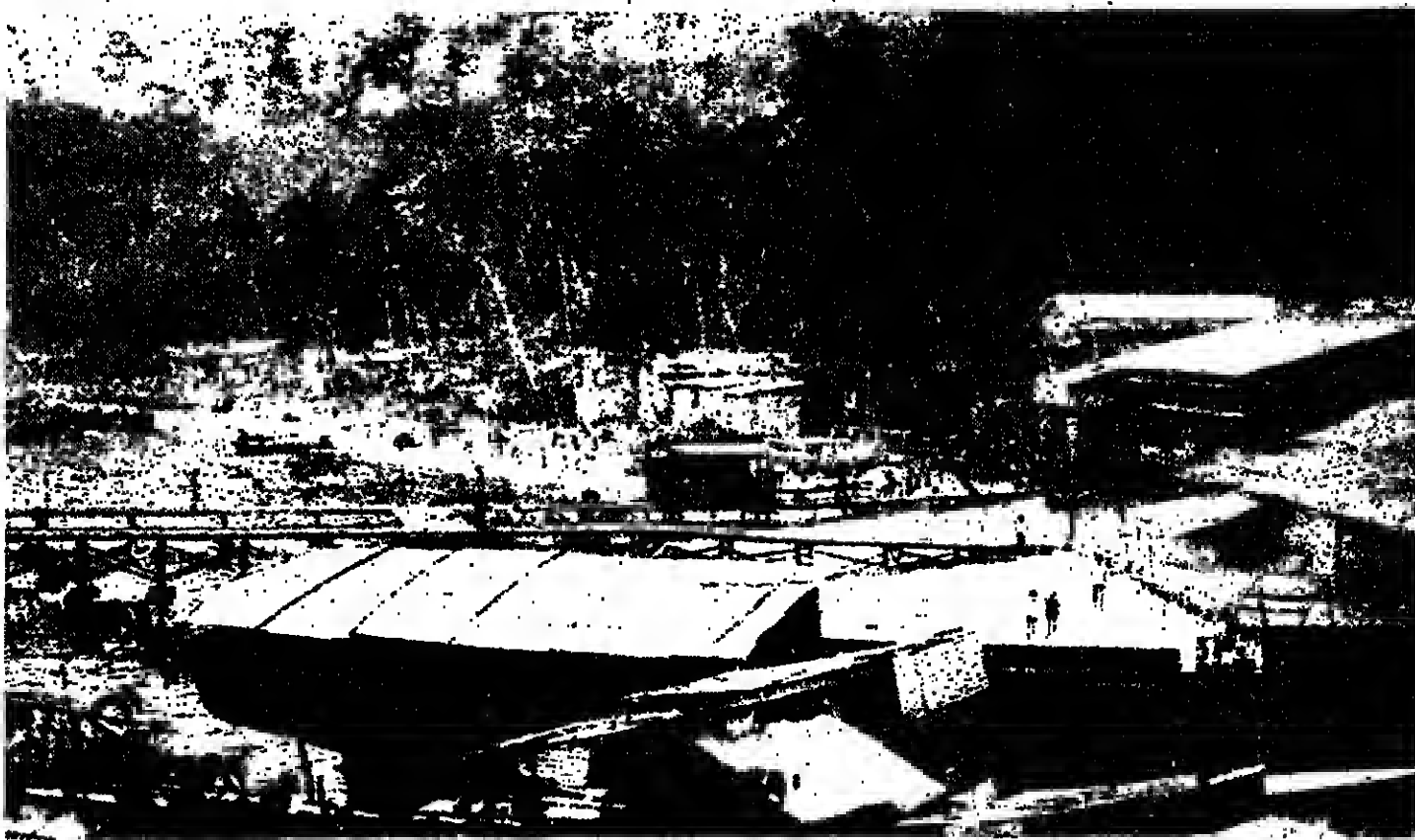
fare says morale and creates ghetto official in the International Rescue Committee in San Francisco.

Many feel that the lack of a coordinated effort for a stepped-up involvement by public government and perhaps even a defense program, like the Veterans Administration, is a major hurdle for refugee affairs. In an interview, he said that huge costs would be incurred when the federal government is blamed for fueling inflation. He said that there would almost certainly be a major black leaders if the Indochinese were to be for special treatment.

"Every wave of refugees has its problems," he said. "Like so many of the older people will never be able to learn the English. They will always be a little bit of the society they live in. But the children are along very fast. They will succeed in time to take they will make it."

"The only thing to remember is to help them to compare it with what they had from, and it's heaven compared to hell."

Perhaps. But for the first generation, the day's refugees to pass through their own comprehending and isolated is surely a trauma that began so far away from Laos or Vietnam.



Shacks line beach at the island camp of Pulau Bidong, Malaysia, one of the packed refugee centers that dot Southeast Asia.

Sharing the Cost of NATO Defense: Why Are the Figures So Unequal?

By Michael Getler

WASHINGTON (WP) — When Uncle Sam reaches into the pockets of taxpayers to help to pay the cost of defense each year, he extracts about \$520 for every man, woman and child in the United States.

But in Canada the government spends only \$157 per person on defense. In Denmark, another NATO member with one of the world's highest living standards, the per capita defense expenditure is \$303. In Britain, it is \$314 per capita. In Japan, it is \$87.

Why is the expense of defense shared so unequally among the allies? The answer is complicated.

The crises in Iran and Afghanistan and the question of how to deal with them have heightened tensions between the United States and many of its allies, and have given rise to the notion that allies are shirking their common defense duties.

Statistics, however, do not tell the whole story. Nor do they necessarily lead to the conclusion that all the allies are shirking.

Benefits of Draft

Ending military conscription in the United States and substituting a much higher paid volunteer force has helped to boost the Pentagon's manpower costs to 54 percent of this year's proposed \$142.7-billion outlay for defense.

But aside from the United States, Britain and Canada, the major European allies — West Germany, France, Italy, the Netherlands, Belgium, Turkey, Greece, Portugal, Norway and Denmark — continue to rely on a draft to fill the ranks.

This allows some countries, such as France, to field sizable ground armies with less of a dent in their overall budget, and allows others, such as

Turkey, to field much larger armies than they could otherwise afford.

Similarly, only Britain and France among the U.S. allies have nuclear weapons. The other allies do not have to pay for a vast array of missiles, for submarines and bombers to deliver them or for the research needed to develop new ones.

Given the size and resources of the United States and the overwhelming position of strength with which it emerged from World War II, the United States also has been the only individual counterweight to the Soviet Union and thus the only country that has, for the past 35 years, retained an ability to intervene militarily almost anywhere in the world, something that also costs money.

Where They Stand

According to the latest NATO statistics, the major European military powers — Britain, France and West Germany — come closest to the United States in relative defense spending when measured as a percentage of gross domestic product.

In 1979, the United States spent an estimated 5.2 percent of its GDP on defense. Britain spent 4.9 percent, France 4.0 percent and West Germany either 3.3 or 4.1 percent, depending on whether expenses for West Berlin are counted.

Of the smaller countries, Portugal led with 3.8 percent of GDP, with Belgium and the Netherlands at 3.3 percent, Norway at 3.2 percent, Italy at 2.3 percent and Luxembourg at 1 percent.

No 1979 NATO statistics are available for Greece and Turkey, two relatively poor countries with serious problems of their own. The International Institute for Strategic Studies in London estimates that Greece and Turkey spend more than 4 percent of their GDP on defense, largely to combat each other's forces.

Of the major countries in NATO, Canada is, by any measure, the clearest laggard — spend-

ing only 1.8 percent of its GDP, according to NATO, and 5157 per head, according to the International Institute for Strategic Studies.

The lack of a greater Canadian contribution is felt in other ways, because many military leaders say privately that the 3,000-man Canadian brigade based in Europe is, man for man, the best fighting unit on the continent.

De Facto Member

In dollars spent per person on defense, the International Institute estimates that in 1979 the West Germans paid \$396, the Belgians \$363, the French \$349, the Norwegians \$347, the Dutch \$338, the Danes \$303 and the Italians \$124.

Although Japan is not a member of NATO, Tokyo clearly is part of a Western alliance. It also is the major industrial power whose economy and people have benefited most from being virtually free of the burdens of nonproductive defense spending in the postwar era while benefiting from the protective power of the United States.

While the United States turned West Germany into a major military power, it never pushed Japan in that direction.

Japan, according to the International Institute, spends 0.9 percent of its GDP on defense, equal to about \$87 for each of the 116 million or so Japanese.

But Japan also provides a good example of the need to look beyond statistics to understand the potentially volatile question of who is and is not carrying his share of the load.

Because of Japan's huge gross national product — \$1.1 trillion in 1979 — the \$10 billion spent on defense last year makes Tokyo the eighth largest defense spender in the world, according to the institute, behind the Soviet Union, the United States, China, West Germany, France, Britain and Saudi Arabia.

While virtually all U.S. specialists in the field

believe that Japan needs to spend more, many argue that attention should be focused more on how a country spends its defense dollars, in terms of its effectiveness and contribution to joint defense, and less on the percent of GDP figures.

While the U.S. 7th Fleet in the Pacific has been put under great strain by the Indian Ocean crises and has declined in strength, the Japanese Navy has taken on added importance.

Japan has 45 destroyers in Asia, triple the number of comparable U.S. ships. It has more submarines than the United States in the region, a large fleet of patrol planes and the world's second largest fleet of minesweepers — next to that of the Russians.

Japan's Constitution, molded by the postwar U.S. occupiers, contains a "no war" clause. But this has been interpreted more liberally over the years to a point where Japan's "self-defense force" numbers about 250,000 personnel, including a 153,000-man army. It is land forces, however, that are most expensive, and Japan's land forces are least likely to expand, because of the undoubted concern in China or Korea if they did so. Thus, no big percentage increase in spending is likely to show up.

Political Factor

While the Carter administration is leaning heavily on Japan to increase its defense contribution, specialists believe that it is with the air force and navy that Japan could play the most effective role. The White House hopes that Japan will boost its defense share of GDP to more than 1 percent in the next few years. But the government of Premier Masayoshi Ohira fell last week, in part over his acquiescence to U.S. pressure.

Specialists say that Japan has increased its defense spending over the past 10 years by almost 8 percent annually, but wide fluctuations

in the dollar-yen exchange rate and in inflation make statistical comparisons difficult.

In recent years — and especially since the Afghan crisis — as the Carter administration has done something of a turnaround on the need for greater defense preparedness in view of the Soviet buildup, the United States has leaned hard on the European allies to increase their military spending in real terms — that is, beyond inflation — in the region of 3 percent annually.

The administration has had some, but not complete, success in this campaign.

Last year, the United States, Belgium, France, the Netherlands, Norway, Portugal and Britain met that goal. This year, West Germany has said it will make it, as will France, Britain and the United States. Italy, striving to play a larger role in big-power politics and to be cooperative in defense undertakings, may also make it.

Borderline Cases

Denmark is the biggest problem. The other smaller countries, however, are all borderline cases. In these countries the problem has always been a feeling within the population that war is highly unlikely and that, if it comes, the contribution of the Netherlands or Denmark might make Western defense against the Warsaw Pact last only a day or two longer than it could without them.

The United States sharply rejects such thinking, because it is also used by smaller countries to avoid paying their share of common defense program. The Belgian refusal thus far to join in paying for the fleet of airborne early warning radar planes is an example irritating Washington.

The sudden involvement of the United States in the Gulf, however, has demonstrated dramatically that the arguments could be changing: that U.S. forces aimed for 30 years at reinforcing Europe and Asia may not all be there in the future, and that other countries had better think

Finance and Investment

In the United States



N.Y. Money Mart Between Weakening

By Stan Strachan

NEW YORK (IHT) — In the wake of the sharp spring drop in interest rates, the question that still haunts investors is whether there is a real recovery in the money market. The immediate outlook for long-term rates in the United States is not nearly as sanguine as the sharp drop in short rates would suggest. While Treasury bill rates have come down fully 500 basis points, there has been less than half that much change in the long end of the market.

And dealers believe that the impact of the Fed's credit control program on bank lending activity could mean continued sluggish reaction in long rates.

The Fed has told the big U.S. commercial banks to restrict growth in their loans to some 6 percent to 9 percent this year. With inflation running at twice the upper end of that range, the central bank effectively is calling for a reduction in real credit outstanding.

Public Markets

And as banks keep their loan rates high in order to discourage borrowers (and meet the Fed's growth guidelines), more corporations will turn to the public markets if they need financing.

The likelihood that the calendar is going to get increasingly crowded, and the reaction once borrowing plans are set, are certain to keep a fairly high floor under long-term money costs.

The official response that is likely with sluggishness in long-term rates is difficult to anticipate.

Rate Structure

Mr. Volcker's Federal Reserve is sure to be pleased if long rates in U.S. markets remain firm, since this will assure ongoing strength for the dollar and make it possible for the United States to weather its recession without a major speculative run on its currency.

But it must not be overlooked that the United States will hold a presidential election in November.

Mortgage Loans

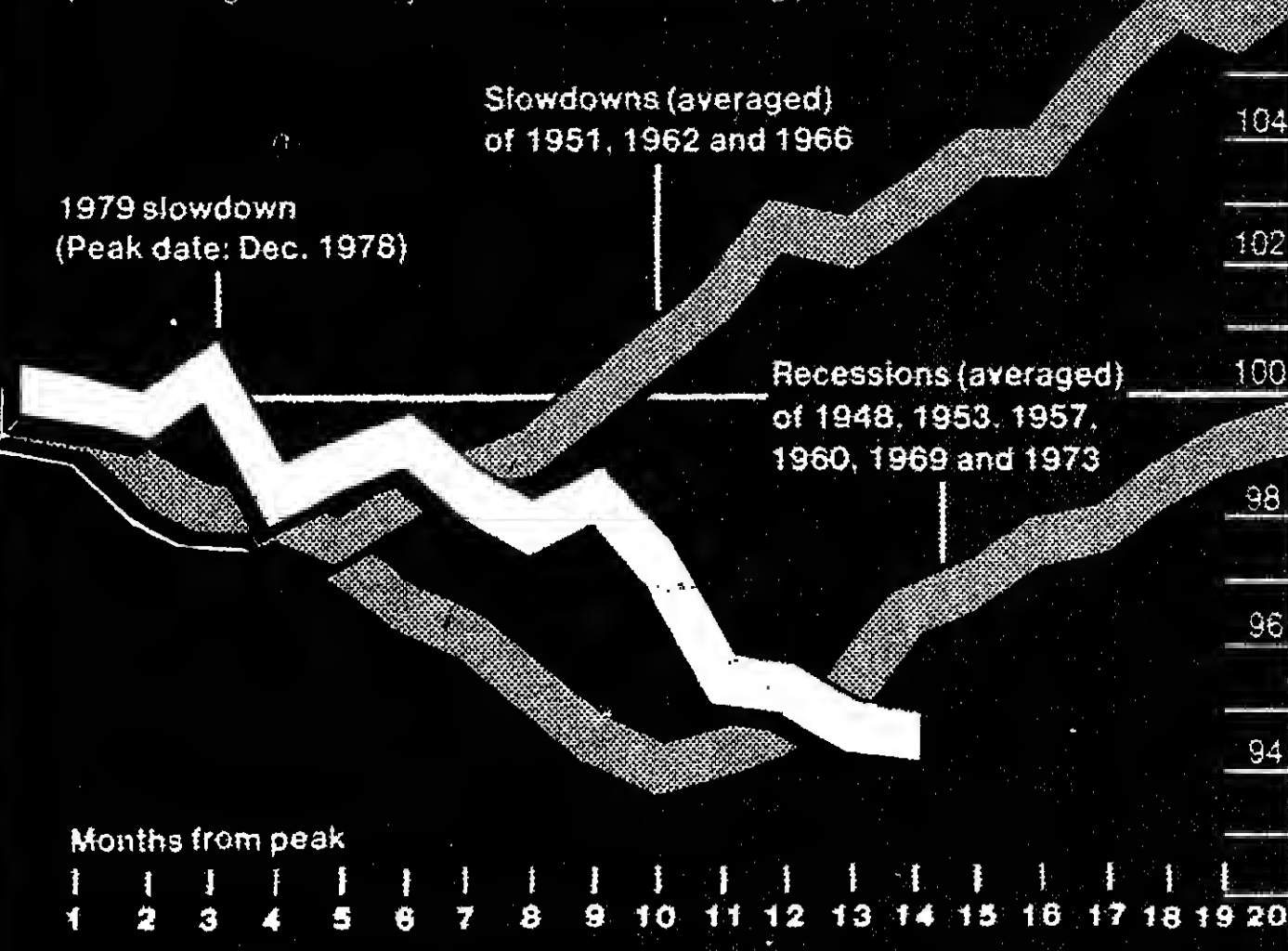
One long-term rate that is subject to Fed policy and the other conditions now affecting the market is the rate for home mortgage loans. The American housing industry is in the midst of its worst slump since World War II. And a key factor is the inability of many potential homebuyers to pay the current 15 percent to 16 percent rates being asked for housing credit.

The political fallout from this housing depression will force the Fed to move more quickly than it might prefer in order to stimulate the U.S. economy.

The Slide of '79: How Long Will It Last?

Economic Activity During Slowdowns and Recessions*

Zero equals the month in which a growth cycle peaked, with the index assigned a value of 100 at that point. Data are based on the activity of the Commerce Department's index of leading economic indicators, month by month following the peak. All figures are adjusted for the 100 starting point.



* As defined by the National Bureau of Economic Research

Source: Center for International Business Cycle Research, Rutgers University

Foreign Investors Wary of Wall St.

By Charles Koshetz

NEW YORK (IHT) — Foreign purchases of U.S. stocks got off to a spectacular start this year, raising hopes that the growing overseas disinvestment with American equities had ended.

But in recent weeks the buying has dried up, brokers here say. And they generally agree where to put the blame — the falling dollar, fears that recession will cut the profits of U.S. corporations and doubts that the Carter administration is capable of avoiding the worst of both worlds as it struggles with inflation and an economic slowdown.

Only a few months ago, foreign money was pouring into the U.S. exchanges, helping to fuel the rise in share prices that peaked in mid-February when the Dow Jones industrial average hit 903. The market was anticipating the peaking of inflation and interest rates with pretty good foresight. And overseas investors were anticipating an extra boost stock investments would bring from a rising dollar, which was coming back strongly.

The bottom line of this felicitous coming together of bullish factors, according to monthly Treasury department figures, was a net inflow of \$1.7 billion of overseas money into the U.S. stock market during January and February (net being purchases minus sales). European individuals and institutions were particularly open-handed, responsible for \$516 million in net purchases in January and a red-hot \$813 million in February.

This was a dramatic change from last year, when the paltry European net purchase figure was largely responsible for cutting total overseas purchases of stocks here to \$1.6 billion from \$2.4 billion in 1978. The total had been slipping for several years before that.

David Bodenberg, vice president of international research at Merrill Lynch, Pierce, Fenner & Smith, explained that the prolonged slide of the dollar had created a wariness of U.S. stock purchases by foreigners who have been sensitized to currency market movements in a way that most Americans have not been conditioned to understand.

"When you realize that the dollar has lost 70 percent of its value against the Swiss franc over a decade while the stock market hasn't been able to make up anywhere near what would be lost, you can see why some people over there are a little shell-shocked," he said.

Mr. Bodenberg said Merrill Lynch's market analysis group had determined that overseas activity in the stock market had dropped back into a "neutral" mode in recent weeks, and may even have slipped into a net sell-off situation.

Mr. Bodenberg, along with many other analysts, attributes the tailing

off of foreign purchases to doubts that Washington can bring down inflation and interest rates in a well-ordered manner. And with good reason. Rates plummeted as recession forecasts became grimmer, and this was followed by fears that the Federal Reserve Board had "panicked" and was going to back off on its tight money policy too soon and reflate the economy.

Foreign investors, he said, have to be uncertain about the U.S. stock market when they see interest rates peak at unheard-of levels here and then come crashing down.

While Americans are busy anticipating the recovery of the U.S. economy and corporate profits will before the recession is fully developed, he said.

Yet foreigners are keenly aware of the recuperative powers of the U.S. economy that arises from the seemingly endless desire of the U.S. consumer to buy, Mr. Bodenberg said. And for this reason, overseas investors are eyeing, but not necessarily buying at this time, stocks in consumer-oriented companies.

A Recession Unlike Others

By Leonard Silk

NEW YORK (NYT) — How severe will this recession in the United States be? How long will it last, and which sectors of the economy will be hit the hardest? Any effort to answer those questions depends first on grasping the special character of this recession.

Every recession, as the late Wesley Mitchell of Columbia used to stress, is unique. The 1948-49 recession was essentially an inventory recession, for instance, brought on by the cessation of postwar stockpiling. The 1953-54 recession was caused by the overshooting of a capital spending boom — but that recession was first delayed by a burst of government spending related to the Suez crisis and then intensified by defense ordered cutbacks and Federal Reserve monetary tightening.

If it had not been for consumers cutting their savings rate down to a historic low of 3 percent and going so deeply into debt, the expansion would not have lasted as long as it did; the recession would probably have begun in the final quarter of 1978.

Consumer Recession

The current recession is a rarity: a consumer-led recession. As Lawrence Chimerine, president of Chase Econometrics, put it, "Unlike most other recessions, the current downturn is not due to a major weakening in the enterprise sector, or to a post-war decline in military spending. Rather, it is due to the significant weakening in the financial position of households, and the resulting decline in spending for goods, services and homes."

The consumer recession has resulted from the de-

cline in employees' real income as inflation accelerated, the decline in employment, the record buildup of consumer debt, and the fall in value of household assets, including stocks, bonds, houses and many consumer durables. On top of this, Mr. Chimerine added, "Households are already saving a record low portion of their incomes and are finding it difficult or too expensive to increase borrowing. Thus, there is nothing left to sustain spending."

At the Standard Oil Company (Indiana) — Amoco — the economists, led by Theodore Eck, share this Chase Econometrics diagnosis and expect the consumer recession to be severe. In a report to their management, the Amoco economists note that the consumer savings rate, now at a record low level of about 3 percent, appears sure to rise, knocking billions of dollars off the gross national product. Consumers worried about jobs and incomes will be cutting back on spending and trying to pay off their debts. The mystery, of course, is how much the savings rate will rise. A rate of 6 to 6.5 percent, they observe, is "normal," over the longer run, and a rate of 8 to 9 percent has been typical of this stage of the early downsloping of a business cycle.

The Amoco economists expect that because of expectations of continuing high inflation and government income supports, the savings rate may not rise higher than 5 percent. Such a rise in the savings rate would make the current recession two-thirds as severe as the one in 1974-75. But if the savings rate were to reach 6.5 percent, that would make the current recession about as severe as the last one, they warn. And, further, if the rate were to rise to more than 9 percent, they say, "this recession would be much deeper and longer than the last one."

U.S. Slump Rated As Relatively Mild

By Geoffrey H. Moore

NEW YORK (NYT) — Evidence is mounting that the prolonged slowdown in the U.S. economy is turning into recession. Even though the National Bureau of Economic Research, which is the official arbiter of recessions, has not yet applied its recession stamp, the current slowdown is already more serious than any of the three post-war slowdowns that did not turn into recessions.

Most indicators would now place it among the milder of the six previous periods that were officially rated as recessions.

And the Commerce Department's index of leading economic indicators, which usually anticipates future movements in output and employment, has already declined as much as it had by this stage in the average of the previous six recessions.

Long List

Recessions are no novelty in the United States. One in 1980 would be the 34th in a list that goes back to 1834.

Each recession starts from a position peculiar to it. Some of these factors have a moderating influence, others the reverse. Among the factors that are likely to moderate a 1980 recession are the favorable trend in inventories on hand and on order, and the current strength of leading indicators in other countries.

Inventories themselves are not especially low when expressed in physical units and related to the physical volume of sales. For manufacturing and trade as a whole the ratio of physical inventories to sales in February was well above its year-ago level and also well above the levels reached prior to the 1973-1975 recession. Hence inventories may still be a problem.

But many companies have already been working on the solution, by reducing their outstanding orders. Total inventories on hand and on order began declining last September. Of course, the process of getting inventories under control in itself depresses production, but part of the problem is behind us.

Recessions are often international in scope, and when they are it makes things worse domestically because of the loss of export markets. So far the leading indicators for our major trading partners have been stronger than our own, although there are hints in financial markets that the "American disease" may be catching.

Leading indicators for other industrial countries, compiled by the Rutgers center, moved up strongly during 1978 and last year. These indicators, like those for the United States, give advance warning of slowdown or recession in the countries concerned. Since U.S. exports

depend in part on the level of demand abroad, the foreign countries' indicators act as leading indicators with respect to our exports.

The strong growth in U.S. exports during last year was consistent with this relationship. At the end of the year the leading indexes for Canada, Britain, West Germany, France, and Japan were still at high levels, although the rate of advance had diminished in some countries. So far they are not signaling an international recession; hence export prospects are still a plus factor in the American outlook.

However, among the special factors operating on the downside is the unusually high level of interest rates. Housing starts have already reacted strongly, with a bigger decline since the slowdown began than in eight of the nine previous episodes. The efforts to reduce inventories stem in part from the high cost of financing them. Other commitments where financing costs are significant are likely to be cut back or postponed.

The upward trend in interest rates has become worldwide, partly as a consequence of the general increase in the rate of inflation. It would not be surprising, therefore, for declines in the leading indicators that are sensitive to financing costs to spread across countries, though so far this has not become apparent.

Elapsed Months

In terms of the American economy, while some earlier periods of sluggishness have been followed by renewed growth, most have turned into recessions. Ten indicators tracked by the Rutgers center give a rating to the current period in comparison with each of the earlier periods after the same number of months had elapsed.

Until late last year, most of them were rating the current slowdown in the same class as the slowdowns that did not become recessions. Now, according to the latest rating released by the center last week, only one indicator (non-farm employment) is still suggesting a slowdown without recession. Seven rate the current period as a mild recession, while two indicators — housing starts and real retail sales — are saying sharp recession.

The March figures for housing starts, released last week, were 47 percent below their level at the start of the current slowdown, in December 1978, a bigger drop than in any of the preceding six recessions over the same interval. In short, nine of the 10 indicators are pointing to recession.

These results are based upon the changes that have already occurred in the indicators in comparison with their past performance, not upon forecasts of what may happen to them in the months ahead.

A composite index that includes the most reliable early-warning indicators, such as new orders, the average work-week, stock prices, liquid assets, and inventory change, has been moving down for more than a year, and has now dropped as much as it did in the average of the six preceding recessions.

If the recession turns out to be "average," what will it be like? For one thing, it would be the seventh since 1948, a period for which there are good records and thus good comparisons. Four of the preceding six recessions lasted 10 or 11 months, one expired in eight months, and the other dragged on for 16.

At the same time, an "average" recession would cut profits and reduce some costs of production, especially the cost of borrowing and the cost of materials. The rate of increase in labor and other costs of production per unit of output would diminish in such a recession, and so would the rate of advance in the general price level.

We've never had an "average" recession, of course. Something new is always added. Then too, averages are not good guides when they fail to pick up trends.

Employment, for example, has become steadier in recessions. The

(Continued on Page 14S)

Electronics: 'Bond for Society'

NEW YORK (IHT) — A Chinese sociologist feels that electronics, far from being an alien factor in American life, will prove to be the cement to create "a new bond for American society."

A series of articles published in Hong Kong Shanghai and excerpted in Datamation magazine, Professor Fei Xiaotong describes how electronic control systems have changed the fabric of American society he saw for the first time in his comments on America's application of technology and its social impact reflect unique perceptions of someone who visited the United States twice — 35 years ago and last year.

Professor Fei is most impressed by the extent to which American society has gone electronic. He deems the importance of "automatic control systems that electronically transmit information" in condition, in turn, leads to another in which "the many complex relationships between men and objects and among people — which earlier people had no means of coming — can be brought under human control."

He is the head of the Chinese Sociological Research Association in Beijing. He is impressed by the speed of movement of people and objects and the efficiency of the quick completion of tasks due to constant improvement in electronic systems and the speed and efficiency of human activities being improved upon, leading to a tightening of relationships between more and more people. Elec-

tronics is the cause of a "new bond for American society" according to the professor. It allows people to organize instantly into collective activities without having to gather in a designated place. He sees the computer as a liberating force, extending the limits of human memory so that the mind can concentrate on creative activities.

His observations could be thought of in the same terms as those of Count Alexis de Tocqueville whose trenchant mid-19th century analysis of American society has well stood the test of time.

Between now and the year 2000 the techniques by which we accomplish virtually every personal and professional task will change profoundly. Electronics will be at the heart of virtually every such change.

By the mid-1980s investors will grow more aware of what the Chinese scholar has perceived today. Along with the energy crisis, the introduction of electronics into every aspect of life is the most important economic and social force of our time.

In its ideal form, electronics leads to the creation of a society which functions with great efficiency and good grace. It is this latter possibility which especially caught the attention of Professor Fei. He notes that when people have easy access to information and make well-informed decisions quickly, stress is reduced and congeniality improves. For Americans who must undergo the dislocations and frustrations associated with the transition to the electronic age, this may be a difficult concept to accept. But it is highly probable that 20 years from now, Professor Fei's insights will prove as shrewd as those of De Tocqueville 140 years ago.



After Era of Expansion, Houston Banking Faces Competition

By Jennifer Lawrence

Houston (IHT) — Houston's emergence as an international banking center, to many business people, seems a natural evolution paralleling the city's position as an international energy capital.

While not proclaiming Houston another major money market like New York, bankers here underscore the availability of banking expertise and good banking advice. But the city, they add, is entering a maturing phase — one in which competition will replace Houston's meteoric expansion into international banking activities.

In the last decade, Houston welcomed a flood of foreign bank representatives with its usual Texas hospitality: "Yawl come on down, it's good for business." At the same time, local banks strengthened their international departments and seven of the largest U.S. banks set up Edge Act corporations, out-of-state banks allowed to engage only in international banking activities.

But the role of foreign banks has been severely limited because the state constitution prohibits them from operating as banks. They have functioned as marketing and liaison offices rather than trading offices.

With the passage of the International Banking Act of 1978, however, foreign banks and rep offices are permitted by the Federal Reserve Board to achieve Edge Act status.

For the first time and due to federal legislation, foreign banks are able to conduct international banking activities in Texas. So far, only Banque de Paris et des Pays-Bas (Paribas) has applied for and achieved Edge Act status in the state.

Despite the state's prohibitive legislation, foreign banks have been drawn to the vast amount of capital and financial resources controlled

out of Houston's energy-based economy. The number of multinational companies here coupled with Houston's active port has spurred international business in energy-related industry, agribusiness and general manufacturing.

Since 1976, the number of foreign-owned companies in Houston increased from 230 to 515. Some 365 Houston companies have offices abroad, compared to 252 in 1976. The Port of Houston, the second largest U.S. port in foreign trade and third largest in tonnage, showed a 4 percent increase in foreign trade last year, despite a 6 percent decrease in imported crude oil. Imports and exports last year were valued at \$9 billion and \$9.5 billion respectively.

The interest of foreign banks in Houston began in 1961 when the Bank of Tokyo Ltd., the Bank of Nova Scotia and the Bank of Montreal opened representative offices. By 1970, the Toronto-Dominion Bank had joined the first three rep offices and seven more were established by 1975. During the latter half of the 1970s, Houston lured banks from France, Britain, Italy, Japan, Brazil, the Netherlands, Norway, Switzerland, Korea, Hong Kong and Saudi Arabia. Today, there are 45 rep offices based in Houston, generally covering the entire Southwest region.

Feasibility Study

Robert Howard, executive vice president of First City National Bank of Houston and formerly with the Bank of Montreal, participated in the Bank of Montreal's feasibility study to enter the Houston market in 1961.

Mr. Howard explained: "The emphasis then was on inward investment to Canada particularly in the petroleum sector. You looked at

Houston and saw the larger companies, the independent operators and the manufacturing industry. Western Canada at that time was basically dependent on the U.S. for oil and gas equipment so it seemed logical that these Southwest companies would start moving to Canada. We wanted to be where the action was."

Banks in other countries took a similar view of Houston, according to Mr. Howard, who noted that the Scottish banks, for example, came to Houston looking for service companies which would be based in Aberdeen because of the North Sea oil and gas discovery.

Ian Gordon, senior representative of The Royal Bank of Scotland Ltd. here, would agree. He pointed out that 45 rep offices are all selling the same commodity so "you have to market yourself." Mr. Gordon said that since its 1974 entry into the Houston area, his office has offered a wholesale rather than retail service, with credit booked through the bank's New York branch. Much of the "on-the-spot" communication occurs in Houston through rep offices while actual banking transactions are routed through home offices or branch affiliates because of restriction by Texas on foreign banking activity. While many rep offices would like the satisfaction of booking loans, they nevertheless consider their marketing role a necessary way to capture Houston business.

Nils Gulnes, senior vice president and representative of Den norske Kreditbank, the largest commercial bank in Norway, recognized that a rep office here would have to "do something special" to compete successfully. DnC opened its first U.S. office here in September after studying New York, the West Coast, Chicago and Denver. Houston was chosen because the bank's specialization — oil, offshore and

shipping — matched Houston's economic makeup. Mr. Gulnes said that DnC was the first European bank to set up an oil department and currently maintains the largest staff of any European bank oil department.

DnC's Houston office, which covers North and Central America, seeks international oil loans on a project basis, according to Mr. Gulnes, who added, "I am more than pleased with our efforts so far. Business has been more than expected."

The Bank of Tokyo Ltd., the first foreign rep office in Houston, came to this area in 1961 to serve a number of Japanese trading firms located here, explained the bank's Houston chief representative, Akira Nishikawa. Mr. Nishikawa, who will be returning to Japan later this month for another assignment, also serves as president of Tokyo Bank Corp International (Houston) Inc., a corporation set up in 1976 in agreement with the Federal Reserve Board to conduct specified international banking activities.

Initially, Japanese business here centered on importing Texas cotton but Mr. Nishikawa said that in 1971 the emphasis shifted to the energy industry. Japan is Houston's second largest trading partner with imports and exports amounting to \$1.68 billion for last year. (Saudi Arabia was number one at \$1.55 billion.) Japanese imports through Houston include steel and iron goods while export to Japan center around petrochemical products, machine tools and grain.

Made Sense

A newer rep office looking for international trade financing opportunities here is the Standard Chartered Bank Ltd., which opened in April last year with John Brinsden as vice president. Upbeat and confident about the Houston market, Mr. Brinsden said, "Almost all the major energy companies bank with our group somewhere in the world so it made sense to be here and to serve customers." When asked about the profitability of his office's first year of operation, he replied, "I'm smiling."

Mr. Brinsden also is smiling about the International Banking Act of 1978 provision allowing foreign banks to set up Edge corporations. (Edge corporations are chartered by the Federal Reserve Board to engage strictly in international banking activities. Prior to the IBA, Edge status was limited to U.S. banks.)

Under the new law, foreign Edge corporations like their U.S. counterparts can finance international commerce through "deposit facilities; loan, overdraft, advance, acceptance and other credit facilities;

commercial letters of credit; foreign collections; purchase and sale of foreign exchange; remittance of funds abroad; purchase, sale and custody of securities and acceptances for account of customers abroad; and foreign credit information."

Setting up an Edge office certainly would broaden the scope of banking activity, but Mr. Brinsden warned, "It's not cheap to set up a banking operation. With a rep office you can get by with a secretary and a small office. So to invest in a foreign Edge office, you better damn well be sure it's going to work."

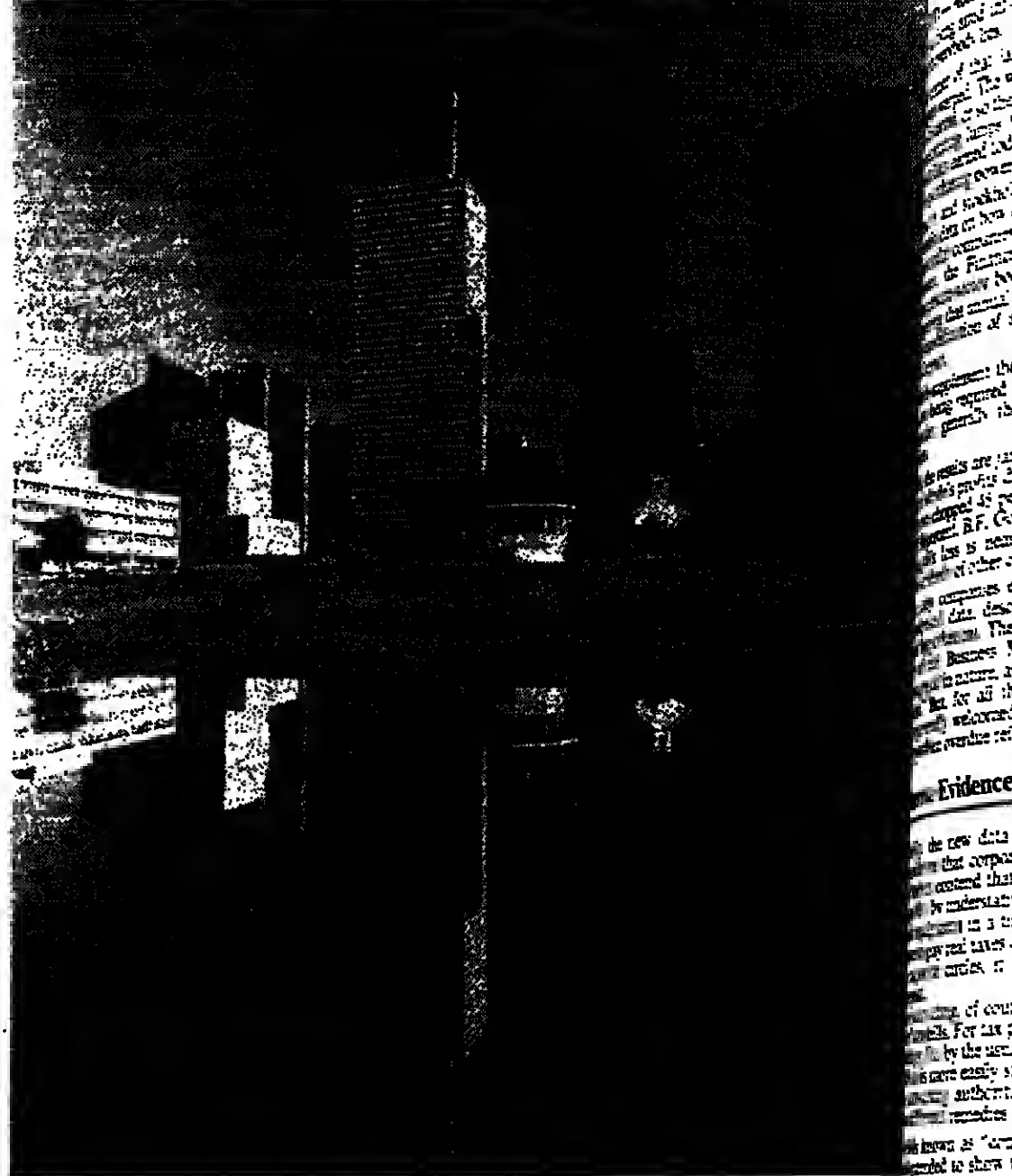
Mr. Brinsden added that factors to consider are whether the market exists, whether current legislation will allow a foreign bank to profitably exploit the market, whether the technological facilities exist to enter the market and whether qualified staff is available. Mr. Brinsden responded to the question of the possibility of Standard Chartered becoming an Edge with, "Now that's a very good question, isn't it?"

It is also a question that local bankers are wondering about. So far, only Paribas has opened a foreign Edge in Houston. According to a Federal Reserve Board spokesman, one other foreign bank, Banco Oreal of Brazil, has filed a petition for Edge status in Houston. There seems to be no doubt that more Edges here will provide increased competition for the nine local banks with international departments and the eight Edge corporations already established.

Michael Gaetz, senior vice president and manager of Texas Commerce Bank's international banking group, does not mind increased competition because he believes that international business here will increase at a steady 15 to 20 percent rate a year. Since 1967, his staff has grown from 15 to 150, with 60 additional people employed in eight overseas offices.

Mr. Gaetz and his local competitor Mr. Howard of First City National Bank of Houston both pointed out that local banks with international departments can offer full banking services to foreign customers. Mr. Gaetz cited trust services, retail banking services and domestic loans as important banking services unavailable through Edge corporations.

Mr. Howard, however, does not rule out future federal legislative changes favoring Edge corporations. He speculated: "If there were some relaxation in the deposit rule for Edges, they could provide broader based services than they presently can. A severe limitation on an Edge is being able to accept only truly international deposits. If an Edge corporation could accept domestic deposits, then we



Houston has attracted 45 foreign bank representatives and increased global banking activity.

will have a significant increase in the competitive market situation." He acknowledged that this possibility is not imminent but "these things have a way of coming back."

Speaking for Bank of America's Houston Edge corporation, vice president and manager Kenneth Stallman said that the presence of Edges here has strengthened the international departments of local banks. Mr. Stallman explained: "I think we are in competition with the local banks in a relatively narrow market. That's trade finance, letters of credit and all that involves

international movement of goods." Bank of America opened its Houston Edge in 1972 and Mr. Stallman is pleased with the business mix. "The business mix here is such that Edges can build a balanced portfolio. By balanced, I mean there's a source of foreign deposits, a source of export loans, a source of import loans, and a balance between short-term and medium-term loans as a result of the Houston economy."

Mr. Stallman even sees a bright side to unit banking law in Texas prohibiting branch banking. He stated: "By 'not being' a branch, and not being able to consolidate deposits to grow and capital to increase the of money loaned to any to our bank (or other Houston) or foreign banks to p in those loans. If anything, bringing more involvement t banks. If a regional bank \$200 million, legally, I wouldn't need to go to ot The fact that they can't us very natural place for fo out-of-state banks to come

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May, 1980



U.S. Enlarges Trade With China After Restricting Soviet Flow

By Clyde H. Farnsworth

WASHINGTON (NYT) — In the linkage of trade and politics that has long been a characteristic of the foreign economic policy of the United States, Washington is now moving to enlarge commercial

ties with China after having severely restricted them with the Soviet Union.

Access to American food and technology and to the richest consumer market in the world is the carrot either held out or withdrawn, as the occasion demands, to try to

influence the benign political behavior of other countries.

China's behavior is perceived here as improving and deserving of reward. But as President Carter said in his Jan. 4 speech to the nation, the United States and other nations committed to peace "cannot do

business as usual" with the Soviet Union after the invasion of Afghanistan — or permit Russia "to commit this act with impunity."

American trade with the two Communist giants is still relatively small, inhibited more by the lack of quality goods they have to sell than by any waning of desire for the goods that the United States has to offer. The two-way trade with both countries still totals just about 1 percent of the total imports and exports of the United States.

President Carter's decisions to curb grain sales and exports of high-technology products to the Russians will contract business with the Soviet Union after almost a decade of slow expansion under détente. But the parallel moves to explore more technology transfers to China, open a door that has been closed since the Korean War.

Six years ago the United States turned to trade as a political weapon in an effort to extract Soviet concessions on emigration policy. Sen. Henry Jackson, Democrat of Washington, and Rep. Charles Vanik, Democrat of Ohio, sponsored an amendment suspending normal trade privileges for the Russians unless they could give assurances that Soviet Jews and others could emigrate freely. President Gerald Ford resisted the measure (because he had been trying to improve relations with Russia) but finally agreed to it as part of the Trade Expansion Act of 1974.

The amendment applied to China as well, but Chinese officials have repeatedly said they have no objections to free emigration. In fact, at one stage, Sen. Jackson was told by a Chinese official, "If you want 1 million Chinese in Seattle, we'll give them to you."

But the Jackson-Vanik amendment proved to be a blow to détente, which had been inaugurated with a trade agreement signed Oct. 18, 1972. Moscow unilaterally suspended the agreement, contending that because of the Jackson-Vanik amendment the United States was not living up to its pledges. In so doing the Russians excused

themselves from repaying millions of dollars in debts dating from American aid to the Soviet Union during World War II. The Soviet emigration rates improved sharply after the Jackson-Vanik intervention, yet the Russians still refuse to provide the assurances required under the legislation.

The Carter administration, as part of its own earlier policy of seeking improved relations with the Russians, had been preparing over-enthusiastically to resubmit the Soviet trade agreement for Congressional clearance. It hoped to present the Chinese agreement at the same time — as part of a policy of evenhandedness in dealing with the two countries.

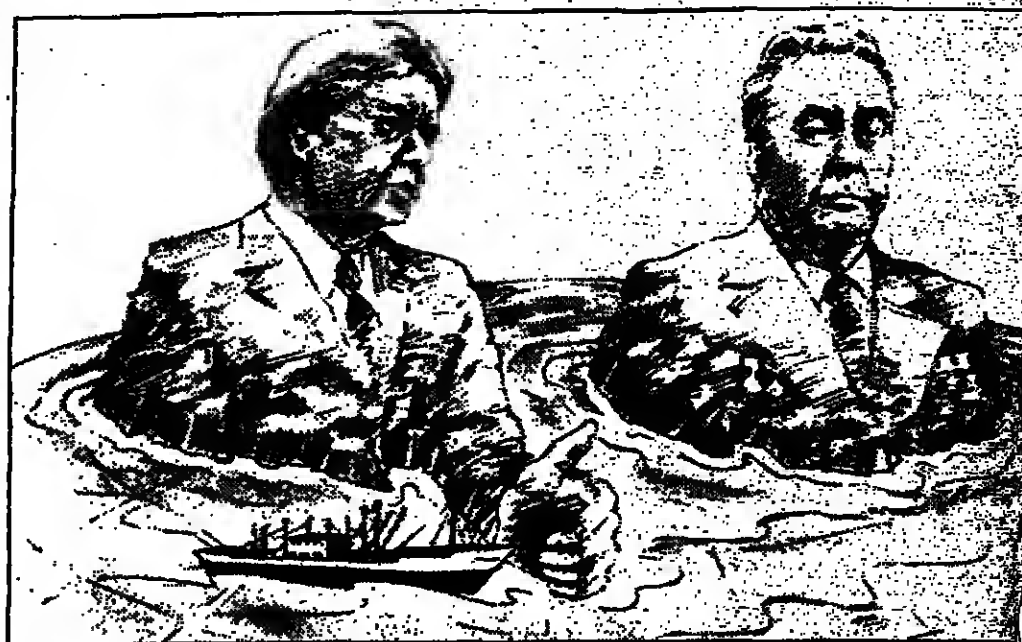
The main provisions of both the Soviet agreement and a similar one with China signed last year in Peking allow easier access of products from the two countries into the American market and grant them rights to borrow from the Export-Import Bank to finance purchases from the United States.

In the early part of the period in which the Soviet agreement has been in effect, hundreds of American companies rushed into the new market and the Russians borrowed more than \$500 million from the Export-Import Bank to finance industrial purchases.

But as political relations improved with China, they began deteriorating with the Soviet Union. The Russians were seen intervening more actively in Africa by financing Cuban expeditionary forces. Soviet troops were discovered in Cuba, and, because of the more aggressive Soviet foreign policy, complications were developing in the Senate over ratification of the Strategic Arms Limitation Treaty.

Now with the Afghanistan invasion, evenhandedness is a dead letter. The Chinese trade agreement has already been presented to Congress and is expected to clear a little later this winter. The Soviet agreement will again go into the deep freeze.

"We've crossed a divide," said Myer Rashish, chairman of President Carter's Advisory Committee for Trade Negotiations. "The question now will be how to translate the harder line against the Russians into the next export controls."



If, as expected, the Chinese trade agreement clears Congress easily, Commerce Department officials say the two-way trade could expand to \$5 billion a year by 1985.

In 1978, the last full year for which figures are available, the United States exported \$824 million of goods to China and imported

Chinese trade agreement, the Carter administration has been forced to limit growth of the textile imports. It sought initially to negotiate a voluntary restraint pact, but when negotiations broke down Washington imposed quotas unilaterally on Chinese textiles.

The Soviet Union, reflecting at

"We've crossed a divide. The question now will be how to translate the harder line against the Russians into export controls."

\$324 million worth. Last year trade was running at twice that pace.

China's main interest has been in selling textiles, which are produced so cheaply that they are highly competitive in the American market even after transportation costs and tariff payments are taken into account. To win the consent of the domestic textile industry and its powerful supporters in Congress for the

least partially the longer period of more amicable relations, is a more important trading partner. In 1978 the United States sold \$2.2 billion of goods to the Soviet Union and bought \$540 million of Russian products. Soviet trade continued to expand throughout most of last year.

Both the Soviet Union and China are interested in acquiring Ameri-

can technology — the oil-well drilling equipment, other advanced production techniques, and the like. But with the tougher export controls, the States will be taking a big step at the possible military use of the goods the Russians buy.

Leading the campaign in licensing rules is organizing a policy statement. American Federation of Labor Congress of Industrial Organizations last year. "The list of Soviet acquisitions is enormous," said a statement. "Western democracies must be on the alert for their own security."

But restrictions on exports risks as well. Trade is important as a source of jobs in American economy. Many believe that the long-run should be to ease the licensing, after assessing what trade sanctions actually do. A government like the Soviet Union and whether the goods are available to

Americans Disappointed in Economy

By Leonard Silk

NEW YORK (NYT) — The overwhelming majority of Americans are disheartened by the performance and direction of the national economy. This conclusion emerged from a New York Times/CBS News survey and was reinforced by an independent poll conducted by Garth Associates for the conference on U.S. competitiveness, held at Harvard University last month. The Garth survey showed the following:

• Ninety percent of Americans believe the economy is headed in the wrong direction, and 87 percent believe that drastic steps are needed to strengthen the economy.

• Two-thirds see the crisis as fundamental, not stemming from minor sources nor only from the energy problem.

• Of those who think the nation is in crisis, 58 percent expect it to last three years or more and 23 percent say it will last five years or more. Only 13 percent expect it to be over in a year.

• Two-thirds of Americans believe the United States is losing ground, both economically and militarily, to other countries.

The Harvard conference, which was sponsored by the United States Senate Subcommittee on International Trade, the New York Stock Exchange and Harvard University, dramatized these national anxieties but failed to explain the underlying causes.

Professor Zvi Griliches of Harvard, reviewing the data and analyses of declining American productivity, concluded that there was "almost no agreement on the sources of a slowdown." There are plenty of potential villains, including the decline in real research and development expenditures; declines in the rate of investment in new capital equipment; changes in the labor force, with more young people and women; government regulation; the rise in energy prices; inflation, and errors of measurement.

Each of these villains may have contributed a bit, said Dr. Griliches, but together they do not account for the observed size of the decline. For his part, Dr. Griliches suggested that the greatest suspicion attached to three interrelated factors — the rise in the energy prices, accelerating inflation and errors in measurement.

It appears to be no mere coincidence that the sharp

slowdown in productivity came after 1973, with the energy crisis and the upsurge of inflation.

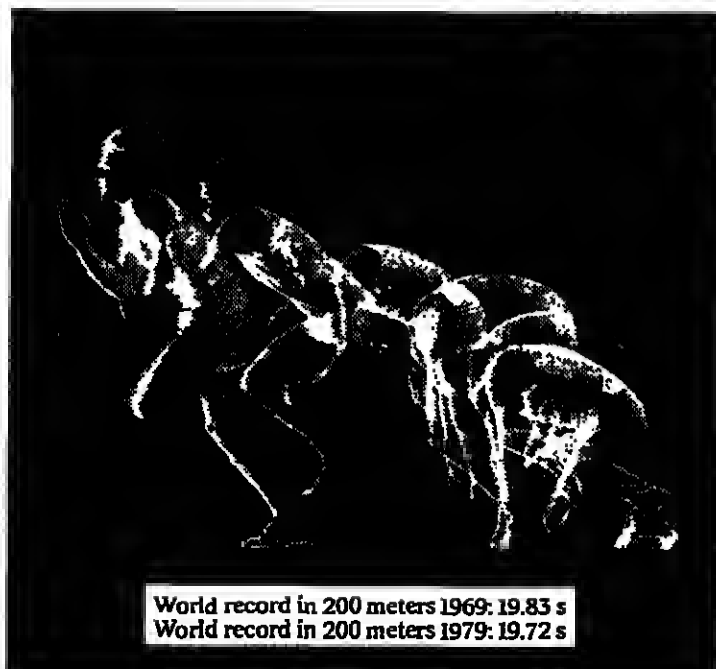
Energy seems to be the most important direct cause. The use of less energy than had been optimal would cause productivity to decline. And the rise in energy prices has made the use of some capital equipment very expensive and hence may have reduced utilization rates. Dr. Griliches added that higher relative prices for energy may also have led to the substitution of labor for some capital that is now obsolete at present energy prices, thereby lowering the average output per man-hour.

The businessmen at the conference put their greatest stress on the shortfall of savings and capital investment. Indeed, the seminar devoted to productivity reached agreement that a major tax cut effective in 1981 should be used to reverse the downward trend in productivity, and that this tax cut should be made whether or not the government budget was in balance. The seminar voted to recommend that such a tax cut be evenly divided, with half going to promote capital cost recovery and half for a reduction in the payroll tax. However, one strong dissent was registered by a participant worried about the weakening of the Social Security system.

Labor and the American political left were under-represented at the conference, but the labor representatives present expressed the suspicion that declining American productivity is being used as a device for justifying large tax cuts for business and declining real wages for labor.

However, the businessmen at the conference, as well as the legislators and academics, seemed to recognize the necessity of drawing up a plan for attacking national decline in general, a plan that would win the support of labor and other groups. Several participants, including businessmen, stressed that more harmonious business-labor relations had played a vital role in the superior productivity performance of Japan and West Germany.

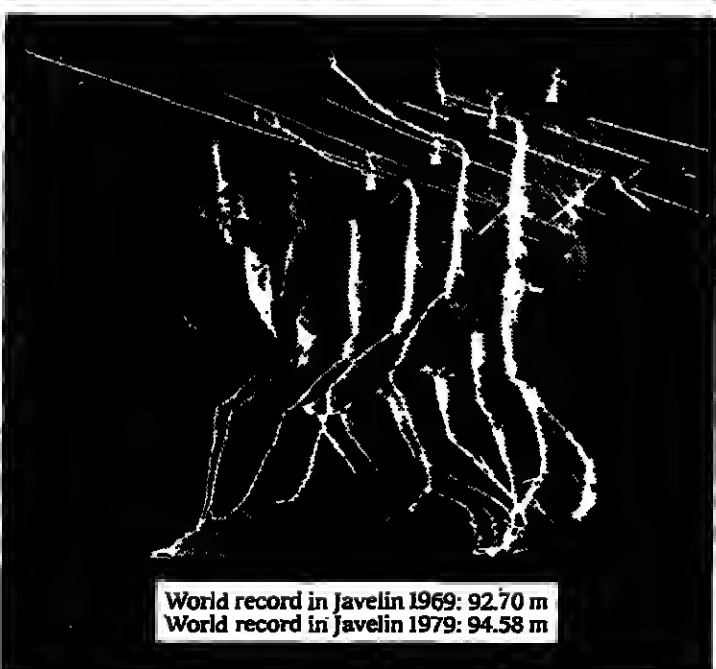
Sen. Bill Bradley, Democrat of New Jersey, won large support for his proposal for an investigation of the causes of United States decline. Many participants, however, were skeptical that one more study would do much good. Nevertheless, the conference appeared to be moving toward the conclusion that ad hoc tinkering to resolve the crisis would do little good, but that deeper knowledge and institutional and structural reform had become crucial.



World record in 200 meters 1969: 19.83 s
World record in 200 meters 1979: 19.72 s



World record in High jump 1969: 2.28 m
World record in High jump 1979: 2.34 m



World record in Javelin 1969: 92.70 m
World record in Javelin 1979: 94.58 m



BfG Balance Sheet Total 1969: 14.75 bn DM
BfG Balance Sheet Total 1979: 54.57 bn DM

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Key Balance Sheet Figures* (in billion DM)		
	1978	1979
Total Assets	49.55	54.57
Total Customers' Deposits	21.04	24.05
Loans to Customers Outstanding	25.77	31.04
Capital and Reserves	1.31	1.43

* Consolidated Balance Sheet Figures/BfG Group

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Precious metals

Investment securities

Federal funds sold and securities purchased under agreements to resell

Loans, net of unearned income

Allowance for possible loan losses

Loans (net)

Customers' liability under acceptances

Bank premises and equipment

Accrued interest receivable

Other assets

LIABILITIES

Deposits

Short term borrowings

Acceptances outstanding

Accrued interest payable

Due to factored clients

Other liabilities

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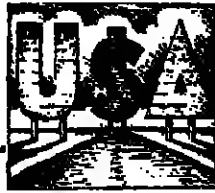
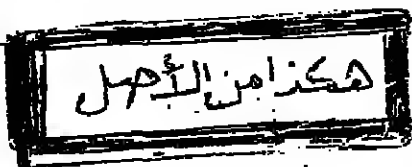
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European Banks Balk at Proposed U.S. Credit Curbs

By Paul Lewis

PARIS (NYT) — Several major Western central banks say they are reluctant to cooperate with President Carter's anti-inflation program by restricting the volume of loans their commercial banks make to American corporations and residents as requested by Paul Volcker, chairman of the Federal Reserve Board.

Last month, Mr. Volcker delivered a personal letter to the governors of the principal Western central banks during their monthly meeting at the Bank for International Settlements in Basel, Switzerland, asking them to hold the growth of commercial lending to Americans within 6 percent to 9 percent this year.

Mr. Volcker wrote that he would "greatly appreciate it" if the governors could "find the opportunity, by whatever means you consider appropriate, to urge the principal banks in your country, whether or not they have branches or agencies in the United States, to support our program and to limit their loans to United States residents in line with the objectives of the special credit restraint program."

In what some officials say is a highly unusual act of central bank cooperation, the Bank of Japan recently announced that it would be "advising" its commercial banks to cooperate. The Bank of Canada is also understood to be cooperating with Mr. Volcker's request.

However, monetary sources report that the central banks of Britain, France, Switzerland and West Germany are all unhappy with Mr. Volcker's request.

Rene Monney, finance minister of France, has explicitly rejected the idea, saying that "it is not for the United States to dictate what we do in France." Privately, however, officials of the Bank of France point out that France's own rigorous credit controls make it hard for French banks to increase their loans to American customers, except through foreign branches.

The Bank of England, the Swiss National Bank and West Germany's Bundesbank are all reported to have said that they lack the legal authority necessary to control foreign lending in the way Mr. Volcker wants. In addition, some officials of European central banks said that such restrictions would jeopardize acquisitions in the United States by their own national companies, since these are often financed with credits raised outside the United States.

These officials also see a direct connection between Mr. Volcker's letter and the resounding defeat last month of the Federal Reserve's attempt to limit the growth of the Eurocurrency markets — currencies on deposit outside their country of origin — by instituting a worldwide system of compulsory reserve requirements on private bank borrowing from these unregulated money pools, where banks frequently fund their loans.

European central banks, led by the Bank of England and the Swiss National Bank, rejected the American plan, arguing that it would damage their own banking business and interfere with the recycling of the oil exporting countries' enormous dollar surplus to nations that need to borrow abroad to pay for their imports.

Thus, having repulsed one American attempt to restrict foreign lending by private banks, these European central bankers said it would be illogical for them to approve another one.

The difficulty Mr. Volcker appears to be experiencing in winning international support for the new

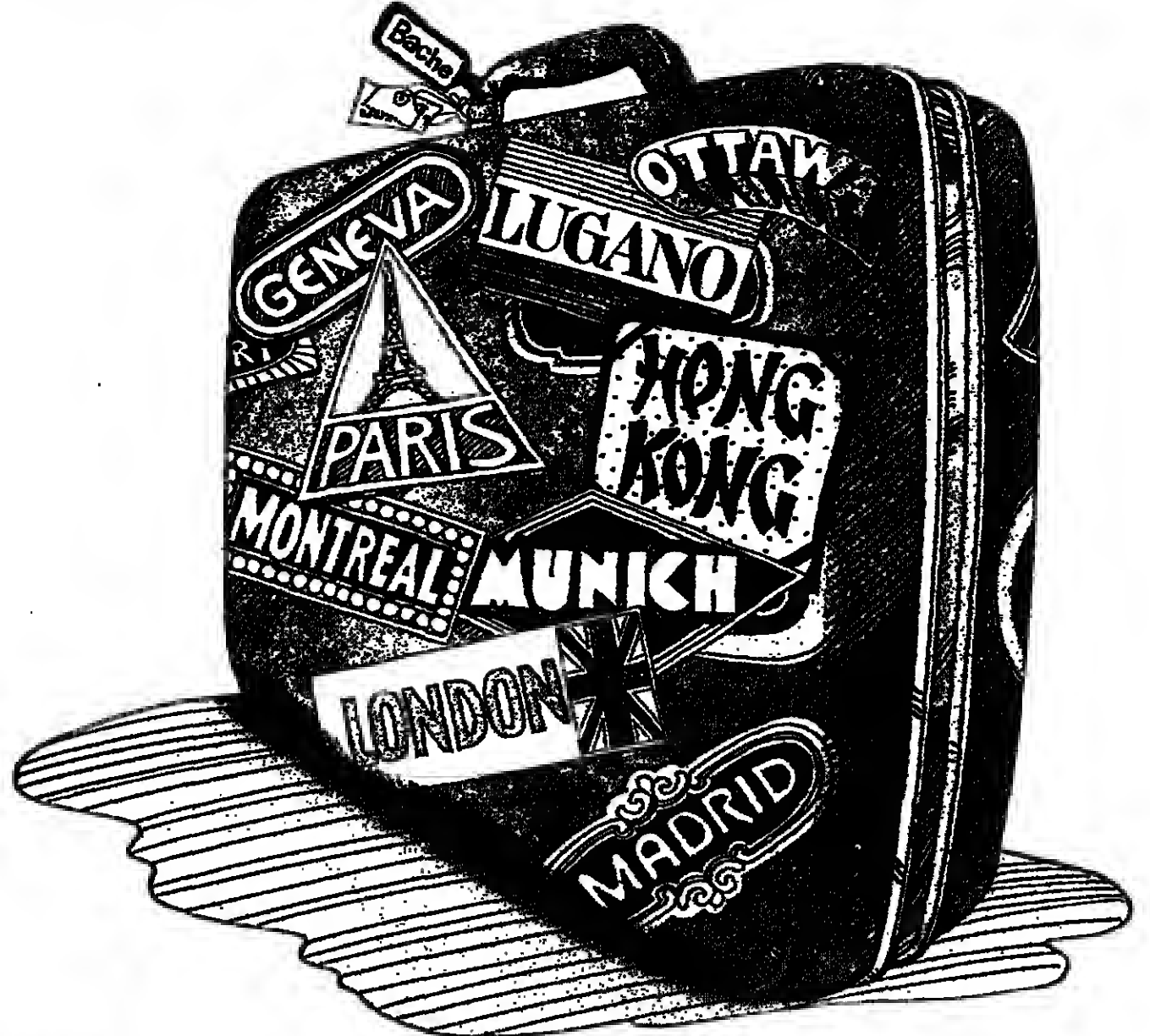
U.S. credit restrictions is seen by some Europeans as another threat to the dollar's stability.

Since the major American banks began cutting their prime lending rates, the dollar has weakened quite sharply against most other major currencies. This is mainly because the reduction in United States inter-

est rates has not been matched by any significant easing of inflationary pressure. But the dollar's slide has also been aggravated by the reluctance of European governments to cut their interest rates.

Against this background, a number of authoritative European fi-

nancial officials are saying that Treasury Secretary William Miller of the United States may have made a big mistake in rejecting plans to bolster the dollar by creating a so-called International Monetary Fund substitution account at a recent meeting of finance ministers in Hamburg, West Germany.



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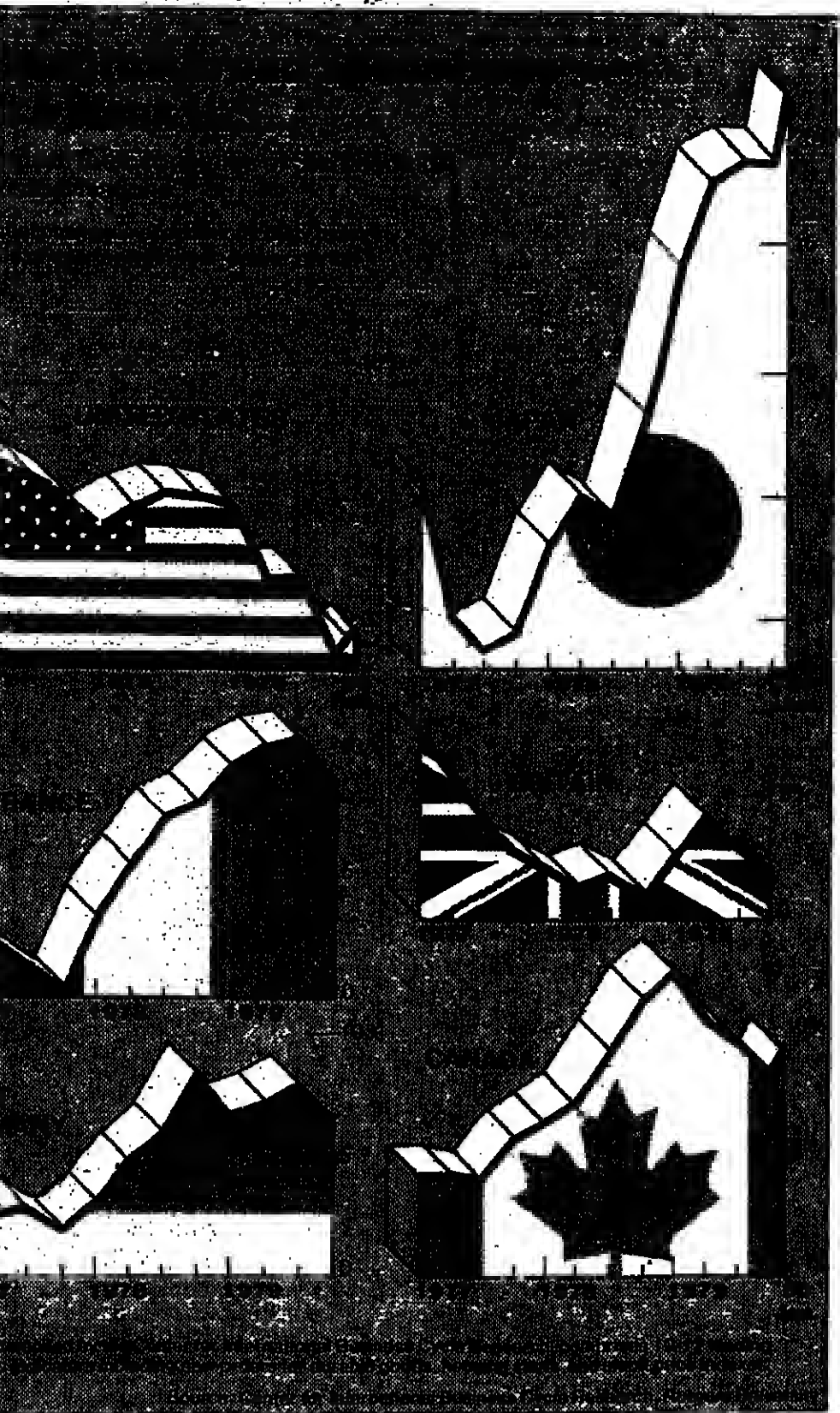
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Borrowers Still Being Deterred

Banking Fabric in U.S. Stretched Tight

By Stan Strachan

NEW YORK (IHT) — Can the U.S. banking system get through the current cycle without a fall in larger proportions than the 1974 collapse of the Franklin National Bank?

Question was raised again in international circles when U.S. authorities came to the \$9 billion First Pennsylvania Banking and largest bank in Philadelphia.

Answer seems to be that if there is no chain of lending or retailing failures on a scale with the W.T. Grant stores in the last recession, a banking system in the U.S. should es-

cape major casualties. This is despite the fact that that system has been stretched tighter by time in the past.

For multinational banks in the U.S. are starting to show improvement in the spread between money and their lending rates.

Surge in Rates
In winter, money costs moved up so quickly that surge in the prime lending rate to an almost 20 percent, the profit margins of most bank appreciably.

But in interest rates that has accompanied the long-anticipated recession has given banks a little breathing space.

They have been able to move far more slowly in cutting business loan rates than the market has in cutting wholesale deposit costs.

One of Federal Reserve Board limits on the bank credit this year — targeted at 6 percent — the banks can be expected to keep their lagging well behind other interest charges.

to deter borrowers.
Authorities have predicted that the prime rate substantially by year-end. John McGillicuddy, president of Manufacturers Hanover Trust Co., says that the prime might drop to about 14 percent by the end of this year.

But the influential Salomon Brothers recently said that "in the second half of the year, short-term credit demand, subsidies, the prime rate may move below 15 percent, leaving a margin to be reached thereafter."

And from the way the prime rate has reacted thus far in the period of rapid rate decline, the banks intend to make the most of their opportunity.

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Speculation Falls Off in Commodities Market

By Alan J. Wax

NEW YORK (HT) — The speculative fervor that gripped commodity futures markets for part of last year and early this year has vanished and probably will be seen again for some time, according to research directors at brokerage firms here.

Speculators, spurred by the inflation psychology that permeated the financial markets, clamored for the commodities market to stay ahead of the inflation rate and, perhaps, to provide a hedge against the possibility of a recession. But some speculators are now facing high margins, high interest rates, and sharp price drops for many commodities.

A classic boom-and-bust cycle, says John Hing, a commodity research director at Smith Barney, is in progress. "The market is now in a state of disillusionment," he says. "Speculators are now looking for a market that will remain for some time, 'unlike' the market activity, especially in the oil market, which is the upside," said John Hing, a commodity research director at Merrill Lynch, Pierce, Fenner & Smith.

Mr. Hing does not see speculation returning to the markets with the vigor they exhibited last year. "Commodity futures are contracts

for future delivery of a commodity — cattle, gold, soybeans, sugar and even financial instruments, to name a few — at a specified price and time in the future.

Without the public, the professionals in the market — commercial firms that use the markets to hedge their business transactions and floor brokers, also known as "locals" — will have to trade among themselves.

And there will not be too much excitement in the markets for much of this year to bring them any public company, the research chiefs said.

Mr. Shwager and Nelson Chang, the commodity research director at Shearson Loeb Rhoades, see few big price moves ahead for American commodity markets.

Vagaries

What moves that do take place will be influenced by the vagaries of the American economy.

"The major factor affecting commodity prices in general will be the length and depth of any recession, versus the question of whether we'll have inflation and at what rate," is how Mr. Hing summarizes the situation.

If there is a significant U.S. recession, some markets that already have fallen sharply could face further erosion, Mr. Shwager noted.

"The markets now are adapted to the view that high interest rates will

cut growth adversely, reducing the demand for certain goods," said William Byers, commodity research director at Bear, Stearns & Company.

It is because of this key role that they play that interest rates themselves have become the most exciting U.S. futures markets.

Activity in interest rate futures, also known as financial instruments futures, picked up dramatically last month, when U.S. short-term interest rates began their decline.

They are expected to be the most active, albeit volatile, American futures markets through the remainder of the year, Mr. Byers and many of his counterparts at other firms agreed.

Interest rate futures include contracts on U.S. Treasury bills, notes and bonds, and Government National Mortgage Association certificates. They have broader applications than, say, contracts for grains, since they can be used by banks, insurance companies and other financial institutions, as well as by institutional and individual investors.

"Interest rate futures will probably draw the largest number of participants," said Mr. Hing, noting that these markets will continue to show strength, despite a few periodic sell-offs.

Mr. Shwager, however, feels that financial futures markets will offer little potential for major moves in the months ahead. Mr. Chang

agreed, explaining that he does not foresee a big rally in the bond market, which is what interest rate futures are based on.

Livestock markets also are expected by some research chiefs to heat up later this year.

Hog Production

David Rinehimer, research director at Thomson McKinnon Securities Inc., noted that hogs and pork bellies (used for bacon) now are selling below the cost of production and that as a result hog farmers may cut back production.

"Based on prices now, the downside risk is modest, compared with the upside potential," Mr. Rinehimer said of the hog market.

Jack Boyd, commodity research director at Drexel Burnham Lambert Incorporated, said that since hog herds are being "liquidated like crazy," the costs of hogs and possibly beef cattle could rise later this year.

Noting that cattle prices also will rise, because there is evidence that the number of cattle in feedlots has been declining, he advised: "This is the No. 1 market to keep an eye on aside from interest rate futures."

However, Mr. Hing said that he does not think that cattle prices will move much higher "unless there is a significant liquidation of hog

herds." But, he added that he has not seen any indication of this yet and that many high-volume, low-cost hog producers may be willing to maintain production at a loss if they can cover their fixed costs.

Another food commodity, sugar, also may offer some exciting potential later this year.

Thomson's Mr. Rinehimer noted: "We see longer-term upside potential in the sugar market. There's strong potential fundamental developments that will cause sugar prices to go higher longer-term."

"Sugar has been one of the few markets that has maintained any strength," said Mr. Hing, noting that dwindling world sugar supplies and questions about some European sugar-beet crops has "thrown some bullish sentiment into the market."

Some research chiefs see a resurgence of gold futures trading. Mr. Chang, warning that U.S. inflation may heat up again after the November Presidential election, said that gold prices may pick up.

Moreover, "if there is any real, solid evidence that tensions are picking up in Iran, we're going to see substantial strength in gold and silver," added Drexel's Mr. Boyd. "Precious metals, particularly

gold, will see good volume and activity," said Mr. Byers, "they're a barometer of international tensions."

However, if the world scene remains peaceful, Hing noted, gold prices will probably drift lower.

Copper Bearish

Despite this somewhat bullish scenario for the precious metals, copper is viewed bearishly, because of its relationship to the U.S. economy.

Lumber and cotton markets also will be held in check by a U.S. recession.

The largest U.S. commodity futures markets — grains and soybeans — will offer speculators little excitement this year, because of the large carryover from last year's crops and because of farmers' intentions this year to plant large crops again.

A major uncertainty overhanging the farm markets is how the U.S. government will dispose of its purchases of grain that had been embargoed from shipment to the Soviet Union. "It's a real monkey wrench," said Mr. Hing.

Weather-oriented speculation may provide the only interest in grains and soybeans, Mr. Byers added.

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Price Gaps Between Contracts

Futures Traders Work Spreads

By H.J. Maidenberger

NEW YORK (HT) — The long-heralded recession has finally engulfed the economy, but it has had little effect among traders in commodity markets. Whether the price of a commodity moves up or down is immaterial to a trader, who can make money by buying futures contracts or selling them short — or by picking the right side of the market.

The price, unlike traders in stocks, those in commodities deal with from one side to the other in minutes and seconds. All that futures traders look for is a clear trend and lots of action so that they can move in and out quickly.

Activity in the commodity markets has been light though, partly because the markets need shortages, and says, no commodities are scarce. Activity has been dampened by the higher cash margins that

have been imposed by exchanges to cool the rampant speculation of a few months ago. Then, too, most commodities are in a state of "overabundance" of a severe and long-term economic downturn.

All the inflationary forces are still at work, are still an election year," said Paul Sarnoff, New York director of research at Commodity Services Inc. "Political considerations created the bearish indicators, and political factors can just as easily change them quickly."

Price Trends

How does a commodity trader operate in the market? "The trader works the spreads," Mr. Sarnoff replied. "There are simple supplies of commodities and there are almost totally governed by the cost of money, which is the case today."

Working the spreads, or price differentials between near and more distant contract maturities, may lead to betting on both horses in a two-horse race. This involves the simultaneous buying (going long) of one contract and selling (going short) of another of the same or different markets. The hope is that the contract will produce more profit than losses in the near term.

Trading, also known as straddling or switching, also makes more sense today, when there is a terrible trend in most commodity markets, because the pricing structure of most commodities is carrying charges — the cost of financing, storing and other factors. Put another way, the price of a commodity is higher for delivery in, say, September, than for delivery in, say, May, because of the higher cost of carrying it.

Mr. Boyd, commodity research director at Drexel Burnham Lambert Inc., noted last week: "Given this situation, which is today common in all commodity markets, a trader can only operate on the assumption that the cost of money in the near future will either be higher or lower."

One thinks short-term interest rates are headed higher," he said, "then the spread should consist of the nearer delivery and going short the more

distant month. The theory here is that if rates decline then the cost of financing, storing and insuring commodities would also decline and price differentials between the months narrow accordingly." Normally, the prospect of cheaper financing charges would reduce prices of goods in the future.

Obviously, if the spreader believes short-term rates will move up then he would do the reverse: sell the nearer contracts short and buy the deferred delivery in the expectation that the price spread will widen.

Essentially, Mr. Boyd said, the theory of spreading is the same that motivates prudent business managers and consumers in general. If one thinks that the cost of financing goods is going to fall, then it is prudent to put off buying until later on. And if one believes credit costs will rise, it would be logical to buy now rather than later.

Trading Jargon

Last week, Mr. Boyd noted that the gold market, usually a good general indicator of short-term money costs, showed spreads much closer than two weeks earlier, reflecting the sharp drop in rates in that period. At the close that day, the New York June gold futures were \$324.50 an ounce and the July contract was \$329.70, for a spread of \$5.20. This compared with a spread of \$7 an ounce a month two weeks earlier.

"Whether the sharp drop in interest rates was an aberration or not," he added, "the bull spreaders in gold made money during the drop in rates, while the bear spreaders were the obvious losers."

In commodity trading jargon, a bear spread involves the selling of the nearer contract and the buying of the more distant delivery, while a bull spread is the reverse. If two weeks earlier, a bull spreader had bought, say the May delivery at the then-price of \$311.50 an ounce and sold the June at \$316, he would have been betting on a drop in short-term rates.

As of last Wednesday's close, the May gold delivery was \$322.50 an ounce, for a gain of \$1,100 per contract of 100 ounces. The June delivery was \$324.50, for a loss of \$850 on the short sale. Thus the bull spread showed a gross profit of \$250.

David Linnehan, metals specialist at Gill & Duffus Services Inc., the brokerage arm of the London-based commodity house, observed last week that spreads were often more prudent than outright positions in times of economic uncertainty for other reasons.

"Spreader are not handicapped by the daily limits on price moves that often lock straight traders in losing positions," he said. "The amount of spreading in today's markets is so great that it has created liquidity, in effect, in situations that would be otherwise dangerously illiquid."

But there are two big dangers in spreading operations, Mr. Linnehan cautioned. "One is that the relatively low cash outlays that increase one's trading leverage often encourage spreaders to assume far heavier positions than they would ordinarily take. The second danger is that the most prudent spread can become unraveled in minutes by events no one could possibly foresee. And when they do, the spreader often has two losing propositions instead of one."

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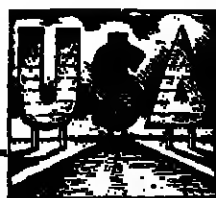
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Europeans Export Money to U.S.

By Charles Koshetz

NEW YORK (IHT) — One of the major European exports to the United States is money — money to be invested in American real estate at rates of return most U.S. investors would scoff at.

But the low rates of return have not discouraged uncounted billions — uncounted, because anonymity is a key part of many of the deals — from flowing across the Atlantic. Why?

Real estate brokers here are quick to come up with the same explanation — some would call it a pitch. But it has apparently been convincing. They say overseas investors need little convincing because what the U.S. real estate market has to offer is self evident. Political and ideological security and long-term, cheap financing at fixed rates of interest.

Despite U.S. foreign policy difficulties in Iran and Afghanistan, near-record inflation and interest rates and the introduction of variable rate mortgages, the basic attractions still compare favorably to what the European real estate market offers, the brokers claim.

Foreign Activity

Foreign activity appears to be continuing at a brisk pace. A much higher percentage of the money is being funneled into Manhattan property than in past years. Although at least half of the money is still going to areas other than New York.

In this city, recent purchases of office buildings by foreigners have included the Celanese Building, 75 Rockefeller Plaza and 245 Park Ave. Much of the money is going from European pension funds, which are much more aggressive than their U.S. counterparts in putting money into property.

The deals involve residential and hotel property — the British Coal Board investment in Washington's

Watergate apartment complex, for example — as well as that old standby of American suburbia, the shopping center. Here in New York, the Westbury Hotel was purchased by a British group, while Hong Kong interests now own the Warwick Hotel.

Much of the funds flow through the Netherlands Antilles, which serves as a tax haven. Where the money originates is not always disclosed, especially if it comes from such places as Italy, Greece, France and Spain, which restrict the export of capital. On the other hand, Britain, West Germany and the Netherlands are much more liberal.

Negative Return

Earl Reiss, president of the real estate brokerage and consulting firm of Douglas Elliman, Knight Frank (a joint venture of U.S. and British partners), says that foreign real estate investors are ready to settle for annual returns on their money of 6 percent or less.

"They'll even take a negative return in some cases, for instance if the rental leases in a building are expiring soon," he said.

In return, the investors usually demand that title to the ground as well as the building be included in the price.

Many overseas investors are following their own money to the United States, with the result that the New York market for cooperative apartments has been bid up to levels that are astronomical by traditional American standards. Yet brokers insist that foreigners still think prices here are a relative "bargain" compared to overseas.

Inflation, of course, has fired up interest rates, which in turn has triggered tight credit and a burgeoning recession. However, there might be a silver lining behind all the woe, says Mr. Reiss, who points out that the current sliding of interest rates will re-establish some of

the U.S. reputation for offering cheap money.

But money will probably never be as cheap as it once was, he warns. And with the introduction of mortgages that can be renegotiated up or down a few points every year, long-term financing will not have the same fixed quality that was taken for granted.

Plus Side

But on the plus side for investors is the introduction of variable rentals, which rise with the cost of living index.

U.S. banks are expected to continue their tradition of long-term financing, even if the terms will not be as ironclad as in the past. And that is something that overseas banks do not appear to be willing to do yet, at least in any great amounts.

The falloff in rates and the slide of the dollar are expected to help fuel overseas demand for U.S. real estate. But the slowdown in construction threatens to create a shortage of saleable units. High interest rates have choked supplies. While those American property-owners who have substantially paid off their mortgages often are eager to cash in their holdings and invest in high-yielding paper, a great number of others, who are still carrying substantial — and relatively cheap — mortgages, see very little advantage in selling.

And after rates come down, further shortages of saleable properties may develop because of the current building slump that high rates have induced.

Because of tight supplies, brokers such as Mr. Reiss do not see any slide in property values. There could very well be a pause in the increase of value. But the basic attractions will still be there, and the migration of overseas money into U.S. land and buildings is expected to continue.

Debt-Ridden Countries Get Desperate for Cash

By Robert D. Hershey Jr.

LONDON (NYT) — Bankers, the cynics say, make loans only to the well-to-do. Anyone who really needs the money cannot qualify.

If the international banking world ever enjoyed such a secure position, it was certainly not during the 1970s and is not very likely to include the 80s. The soaring price of oil means that dozens of poor, debt-ridden, hand-to-mouth countries are once again desperately short of cash and will be calling for still more help.

The banks, however, find their portfolios nearly saturated with loans to such nations. Mindful of the growing risks, they are already rolling up the welcome mat.

"With balance-of-payments financing needs escalating again, will the banks be able to satisfy most of the demand?" a worried Rimmer de Vries, vice president of the Morgan Guaranty Trust Co. of New York. "There is no room for complacency in this regard just because the banks handled the job so well during the 1970s."

In the mid-1970s, when oil prices quadrupled, the banks were able to absorb with astonishing ease the job of "recycling" the surpluses of the oil producers, taking their deposits and relending them to finance the deficits of the oil-consuming nations. In the process, banks competed so fiercely to make loans that their profit margins shrank and some people were led to speak of "overbanking."

Today, the dollar surpluses of the oil producers are surging again after several years of rapid decline. What are the banks to do with the deposits these surpluses create without making ever-riskier loans that, if defaulted, could topple the system?

The still great but hazardous opportunities in lending to poor countries — and to some emerging powerhouses in South America and East Asia — coincide with much slower growth and realignment in overseas representation. Banks now provide almost two-thirds of the financing needs of the non-oil developing countries, and they have deeply penetrated most of the choice markets.

The headlong rush to open up new offices in London, the leading international banking center, is over, and though other centers have risen in the Middle East and elsewhere, access to many countries is limited. Restrictions on foreigners is one obstacle. Others are different legal systems, customs and language.

In London, where profitability has been squeezed by a strong pound and a government "corset" on lending, an average of just 11 banks have moved in, either directly or indirectly, during each of the past five years. The gain was only seven during last year.

By contrast, 40 new banks a year came to London during the 1970-74 period when everyone wanted a piece of the fast-growing Eurodollar markets. Their predecessors had been attracted mainly by insurance and shipping business plus access to sterling deposits.

For many banks, the expansion spelled success. Overseas business now accounts for 50 to 80 percent of the profits of the top dozen American banks.

Traveler's Checks Bounce Back

LONDON (IHT) — As recently as four years ago few banks on either side of the Atlantic were prepared to gamble on a sturdy future for traveler's checks.

The growing international use of credit cards coupled with electronic banking techniques put the checks, for most, low on the list of customer service priorities.

Suddenly, however, traveler's checks have become a subject of great interest brought about by a recognition of the increasing growth and value of international tourism, mixed with high interest rates on credit and waning enthusiasm in rapid electronic advancement.

At stake is a worldwide traveler's check market with an estimated face value of \$35 billion and an annual growth potential of between 15 and 20 percent over the next ten years.

It is a stake which not only the

market leaders but some hastily devised conglomerates want more action.

But it is a field in which it is hard to gauge individual progress because both rookie and seasoned competitors are playing their cards very close to their chests.

Estimates from various sources show that American Express currently has a lead in the world traveler's check market with Citicorp and the Bank of America second and third. Barclay's and Thomas Cook share a majority of the remaining market.

Credit Cards

Into the fray have come two of the world's major credit card payment systems organizations. Interbank with its Mastercard label and Visa, now pooling its travel check business with Barclay's.

Additionally, a large number of European banks have joined in a new Euro-traveler's scheme. They have formed a European travel check company purchasing from Midlands, the old bank of Thomas Cook, Cook's non-stellar travel business and in this way challenge the dominant American participants in the field.

The new European consortium has the aggressive attitude of the fabled travel check companies, the intentions of newcomers Visa and Mastercard are clearly making Europe the battle ground for the traveler's check business.

This region alone offers an estimated \$5 billion worth of potential business, or currently about 10 percent of the global market.

A major reason is the growth in business and tourism, especially to the United States, brought about by cheap travel across the Atlantic at dollar-bargain for Europeans.

World Tourism Organization figures for the past three years show huge percentage increases annually from Europe to America, representing most heavily traffic. West Germany, Switzerland, and the United Kingdom being particularly big markets. Statistics also show high percentage of these visitors pure leisure travelers, the whom the security benefits of traveler's checks is important.

Business travel itself is significantly. United Kingdom government statistics show an increase of over 30 percent in business travel in 1979.

Much Advertising

Since the credibility of the traveler's check is critical to the market, millions of dollars are currently being spent on advertising the various brands of checks.

It is inevitable that the traveler's check will go to those companies which offer the most security, reliability, and use for the consumer, coupled with simple and speedy refunds.

Citicorp's European regional vice president believes that the availability of Citicorp's travel checks, which are more than 40,000 locations and more than 24 hours a day, 365 days a year, will be a major factor in their acceptance.

"We have invested a great deal of money in the quality of our traveler's check operation to ensure our issue is the best possible service."

Citicorp spokesman said. "And we are confident this will pay off in the current battle for market share."

"When the customer buys traveler's checks, he or she needs to know they have a brand acceptable worldwide, as well as quick refund facilities."

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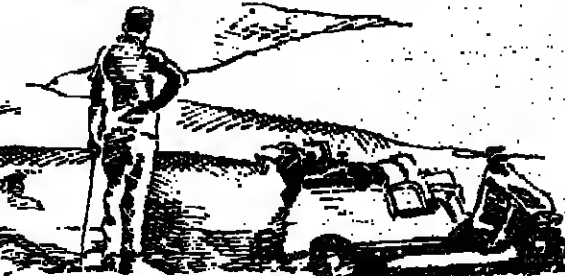
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outsiders Have to Hustle in Texas

Robert A. Bennett

TON (NYT) — Signs of a booming economy are what Austin sees as he peers the window of his eighth-floor office in the ultramodern 1100 Milam Street. The new skyscraper is in every direction. One of the new buildings will eventually reach 75 stories and another will be 49. Both are built by Houston banks, and they are competing for the trade.

Austin, a vice president of the Bankers Trust Co. of New York, one of the many outside banks who have come to Houston, is an engineer and a banker by not an unusual combination, where the soundness of the oil and gas production often depends on technical expertise in oil and gas production.

A new out-of-state bank and banks also have operations, each hoping to get a share of the business of the relatively small companies in Houston's energy industry.

Expectations

Those that came here expecting growth and easy profits, the rapid expansion of local markets, have been disappointed. But a more moderate expectation is that the money is going to be increased significantly. By the close of the day, Treasury bill futures prices were down the daily permissible limit of 50 basis points, and Treasury bonds plunged their limit of two full points.

Discussing the reversal in interest rate futures, Mr. Selkin said: "These financial futures are the most sensitive indicators of money market conditions because dealers in Treasury issues, bankers, insurance companies, pension funds and other institutions are increasingly using the futures as hedging mechanisms. Thus, the slightest changes in portfolios and buying and selling patterns are immediately reflected in financial futures prices."

Looking at his interest rate charts, Mr. Selkin noted that when the Federal Reserve further tightened credit in early February as part of its anti-inflation campaign, which sent interest rates soaring, prices of all financial instruments fell and their yields rose accordingly as investors took advantage of higher-yielding competitive debt issues, such as commercial paper and money market funds.

Debt Issues

As a result, Treasury bill prices plunged to the point that the 90-day paper produced a record yield of 15.7 percent. Because bills carry no interest, they are sold on a discount basis from face value, a yield of 15.7 percent meant that these debt issues were selling as low as 84.30 cents on the dollar.

Another factor that was slashing prices of Treasury bills then was that the cost of financing positions was between five and seven percent above the prime rate then being as high as 20 percent.

But by late March, Mr. Selkin recalled, institutional and other investors found indications that the Fed wanted to halt the rise in interest rates, perhaps so as not to strangle the economy. The money managers

then rushed back to buy Treasury

debt issues to lock in the then-high yields because they saw the demand for credit was slackening and competitive rates dropping. The result was that Treasury bill prices, for instance, took off in a straight line upward, with yields plunging accordingly.

In a recessionary climate, Mr. Selkin pointed out, "there is usually a flight to quality because a shadow of doubt tends to spread over the L.O.U.'s issued by private corporations."

Money Managers

Then, two weeks ago, the money managers, who are responsible for placing billions of dollars at the best available yields, sensed that the precipitous record drop in interest rates was drawing to an end for the time being because the Fed was preparing to inject more money into the sagging economy, which could revive the economy and demand for credit.

If so, it meant that the institutional and other investors could soon be rushing out of Treasury debt issues and into competitive yielding instruments. Late last week, the plunging prices of Treasury issues supported that view; so did the record rise in the money supply announced after the close Friday.

Mr. Selkin observed that his recouping of the recent trends in interest rates only touched on the main points of what is a highly complex market. "For example, we saw short-term rates far above those on longer maturities, which is a definite aberration," he said. "Now we are seeing the yield curve return to a more normal pattern, signaling that future rates will be higher than current ones."

The Commodity Research Bureau index of futures prices closed last Friday at 267.9, off from 268.9 a week earlier. The index stood at 243.6 a year ago.

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Group of London to open its Houston office.

Recruiting local bankers helps, but most of the out-of-town bankers stationed here say it is not enough.

Middle Market

"We can't go out and try to take over the business of the local banks," said Rick Copeland, who heads Citibank's office here. "Our business mainly supplements what the local banks are doing. We can't displace them."

The foreign banks, particularly the Japanese banks, have a special problem, according to Texas bankers. "Each foreign-bank manager comes here for three years, and it takes him six months to get acclimated to the overall environment, not to mention how long it might take to learn the language," a senior officer of a Houston bank said.

Getting used to Houston can be a challenge for Americans as well as foreigners. "I've been down here eight or nine months, and it's a shock, not altogether a good one," Mr. Austin of Bankers Trust said as he glanced up at color photographs of oil rigs, the only adornments on the stark, white walls of his office and a constant reminder of his new environment.

But the displaced New Yorker recalls that "the three guys before me in this job said the same things" and all three eventually came to love Houston, leaving Bankers Trust to join local banks.

As his eyes turn to the construction going on outside, Mr. Austin wondered aloud how long it would take him to become "Houstonized."

As a result of the high level of

technical expertise required to make loans in the energy field, many foreign banks have raised manpower from local banks to staff their Houston offices. "Retaining manpower is the greatest problem facing our banks," said A.J. Elkins, chairman of the First City Bancorp. of Texas, the largest Houston-based bank holding company in the state.

Texas Commerce Bancshares, the second largest, recently lost two officers to foreign banks that opened offices in Houston.

One of the bankers, who had been with Texas Commerce for a decade and with the Gulf Oil Co. before that, joined the Houston office of Credit Suisse, one of Switzerland's Big Three commercial banks. The other banker, who had been with Texas Commerce only a year,

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May, 1980

Financial Futures Signal Key Reversal

H.J. Maidenberger

Street knows the money is going to be increased significantly. By the close of the day, Treasury bill futures prices were down the daily permissible limit of 50 basis points, and Treasury bonds plunged their limit of two full points.

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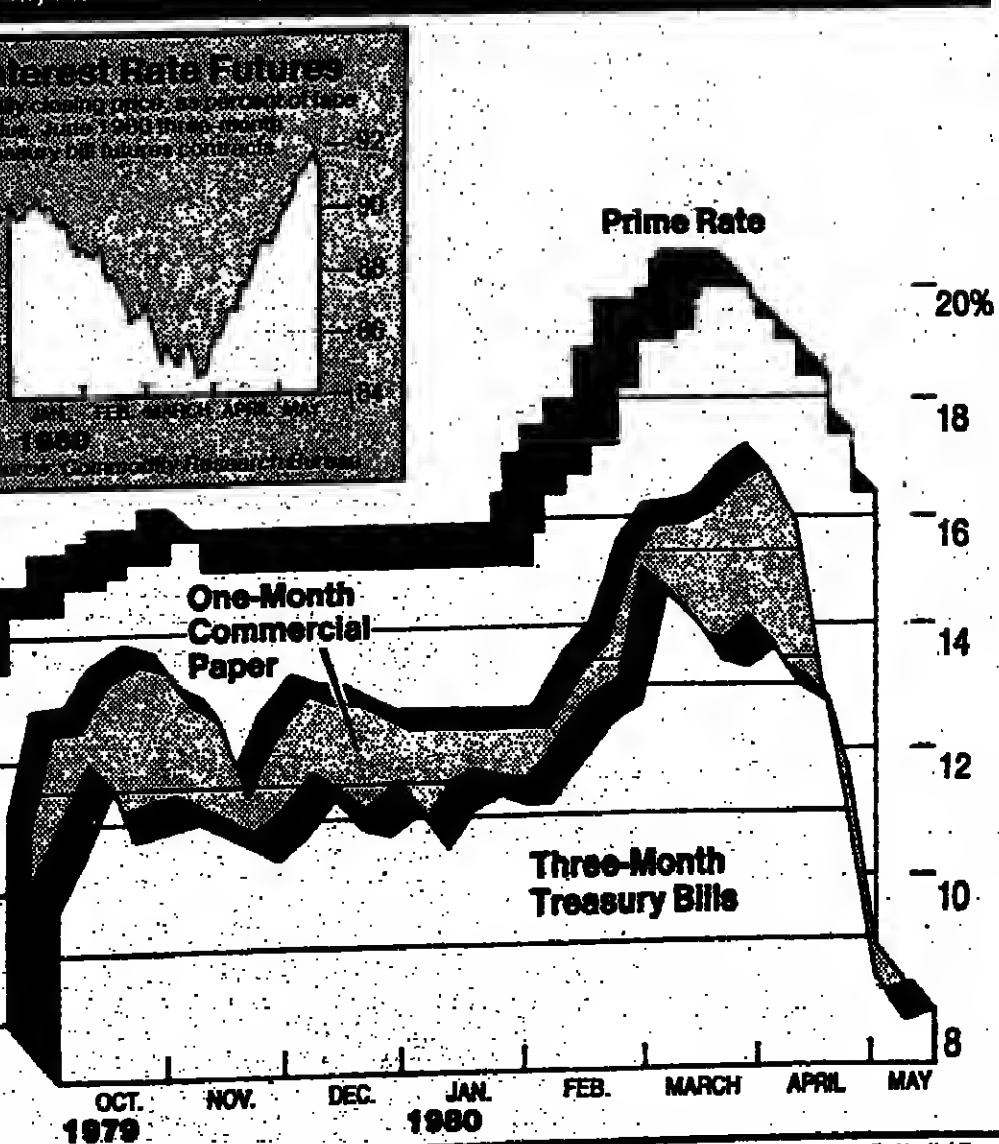
If so, it meant that the institutional and other investors could soon be rushing out of Treasury debt issues and into competitive yielding instruments. Late last week, the plunging prices of Treasury issues supported that view; so did the record rise in the money supply announced after the close Friday.

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Short-Term Rates and the Futures Market

Daily market rates in percent

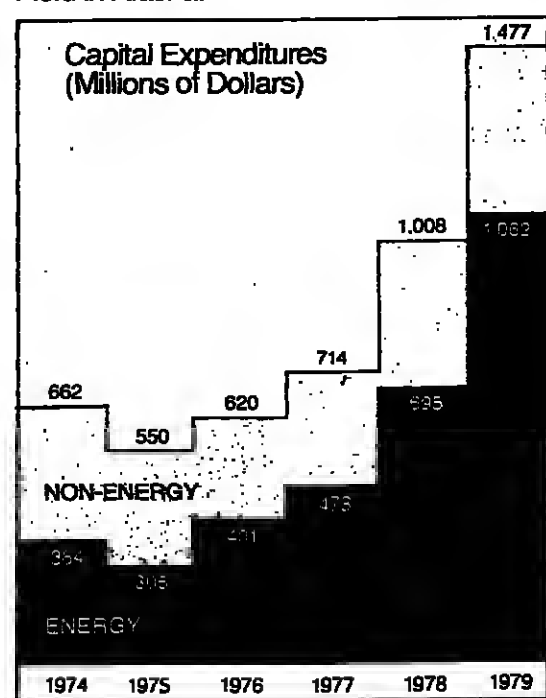


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pipeline system—points to our expectations from these additions and projects. And we expect our energy investments to grow even more in 1980.

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Threat to 'Very Financial Fabric'

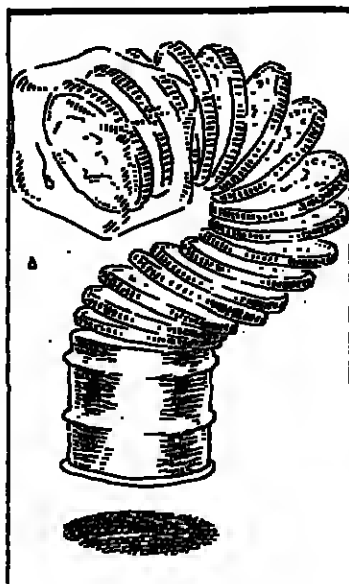
Curbs Seen After Silver Collapse

By Clyde H. Farnsworth

WASHINGTON (NYT) — Controls over commodity speculation, probably in the form of margin requirements, could emerge in the wake of the silver collapse, which, as one regulator put it, "threatened the very financial fabric" of the nation.

Congress, the exchanges, the regulators and the administration are all involved in the debate over ways to deal with this arcane sector of the financial markets.

The Commodity Futures Trading Commission is divided over how to proceed. But an initiative has just been taken by Sen. William Proxmire, chairman of the Banking Committee, which may well be one vehicle for reform. The Wisconsin Democrat's bill, just introduced, would give the Federal Reserve Board authority to set minimum down payments for futures trading in gold, silver, Treasury bills and



Oliver Williams/The New York Times

currency. A companion bill in the House is expected from Rep. Ferdinand St. Germain, Democrat of Rhode Island.

Also some recommendations may soon come from a new committee of the Treasury, the Federal Reserve Board and the Securities and Exchange Commission.

Margins on commodities — normally about 5 percent, compared with 50 percent for trading in securities — are traditionally reduced to expand the volume of business and raised to dampen speculation. One reason why they are kept low is the competition among Kansas City, New York and Chicago markets. Another is that the users and producers of commodities often deal in futures to insure against unexpected price fluctuations, and the feeling is that this insurance should not be too costly.

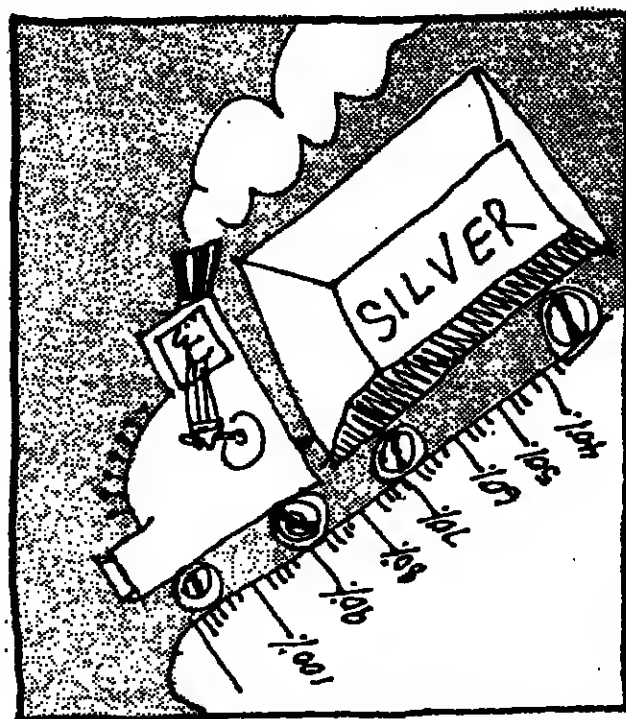
Tougher controls are being sought not only because of the

Hunt brothers' silver fiasco but also because of worries in the Treasury that the market in Government securities could be disrupted by speculative activity in Treasury bills.

Some Disappointment

There is some disappointment on Capitol Hill and in the administration over the attitude of the Commodity Futures Trading Commission in facing the issues. James Stone, the agency's chairman, argues for greater Federal regulation, but he is challenged by the three other commissioners — Read Dunn Jr., David Gartner and Robert Martin.

The White House has been unable so far to fill the post of the fifth commissioner, vacant for the last year. By law this nominee has to be a Republican. The latest prospect has been Jamie Wade, deputy insurance commissioner of Iowa.



Shawn Goldenberg/The New York Times

New York State Weighs Foreign Bank Restriction

By Robert A. Bennett

NEW YORK (NYT) — State banking officials are considering new restrictions on the ability of foreign banks to establish branches in New York as a result of the recent failure of an Argentine bank and the refusal of the authorities in Argentina to guarantee the creditors and depositors of the New York branch will be paid.

The bitter dispute that has erupted between the New York State Banking Department and the authorities in Argentina raises a fundamental question of who should be responsible for the deposits and other obligations of foreign-owned bank branches and subsidiaries. The question raised is: Should it be the authorities in the country where the branch or subsidiary is situated, or should it be the authorities in the country where the parent bank has its headquarters?

New York's large foreign banking community is especially concerned because it is currently engaged in a dispute with the Federal banking authorities over how much information foreign banks with branches or subsidiaries in the United States should be required to disclose to the Federal Reserve System about their activities outside the United States.

Under the International Banking Act, which became law in the fall of 1978, the Federal Reserve must obtain sufficient information about the total activities of any foreign bank that has a banking office in the United States to determine the basic soundness of the overall banking group.

Difficult Issue

The Federal Reserve recently issued proposals that many foreign banks, and even some central banks, have criticized. According to Sergio Bellanger, chairman of the Institute of Foreign Bankers in New York, "It is a very difficult issue," Bellanger said Thursday. The institute represents 183 foreign banks with offices in New York.

Mr. Bellanger, who also is executive vice president and general manager of the New York branch of Credit Industriel et Commercial of France, indicated that many foreign bankers in New York feared that the recent failure of the Argentine's Banco Intercambio Regional and the refusal of the Argentine authorities to accept responsibility for any claims on the New York branch would toughen the Federal Reserve's stand in respect to the reporting requirements.

The authorities in New York, who took possession of the branch following the collapse of the parent

bank in Argentina, say the branch itself appears to be liquid and that if the Argentine government were to guarantee part of any unforeseen obligation, New York depositors and creditors could be paid with the branch's assets.

Deposits at the branch amount to \$3 million to \$4 million. In addition, the branch had \$7 million in outstanding letters of credit. These are company guarantees. The banking department says the branch has about \$15 million in assets with which its deposits and other obligations could be paid with the branch's assets.

Branch's Books

The department is concerned, however, that other obligations turn up that were not recorded in the branch's books. It is concerned because two banks, the First National Bank and the First National Bank, had to court seeking to attach the branch's assets to offset losses had extended to the parent bank in Argentina.

If the courts were to allow attachments, the banking department fears that other creditors of the parent bank would take action, and the New York branch could be eaten up before the New York creditors were fully paid. The banking department is worried that the courts eventually hold the state liable for using the funds already out to reimburse other creditors of Banco Intercambio.

The banking department has not yet decided whether to try to force the parent bank to sell the branch's assets to pay the creditors. It is also considering whether to force the parent bank to sell the branch's assets to pay the creditors.

Jose Martinez de Hoz, the Argentine finance minister, said that Argentina law he did not have the authority to guarantee the creditors of foreign banks. Such a guarantee, according to Mr. Siebert, New York State's chief of the Department of Banking, the bank would not be sold.

"I don't want any money," Siebert said, adding that he seeks measures that would give full protection to all depositors of the state.

Many Foreign Investors Are Wary of Wall Street

(Continued From Page 7S)

Also on the potential buy lists, he said, were banking and financial company shares, high technology stocks, and what is becoming a popular standby for foreign investors, natural resource and energy stocks.

"I think people want to buy," said Maurice Ederheim, deputy chairman of Drexel Burnham Lambert. "But there hasn't been any trend developing for the last four to six weeks."

Every time things seem right, he said, something bad happens. In recent weeks, for instance, the good news that the stock market recovered much of the ground it lost since February was cancelled by the bad news about the sliding dollar.

Peter Tanous, chairman of Petra Capital, an advisory firm for Middle Eastern clients, was optimistic about the outlook for foreign purchases of U.S. equities.

Dollar Woes

Despite the near-term woes of the dollar, he said, "most foreigners believe the U.S. dollar is in an up-trend, and I agree with them."

The economic slowdown will improve the U.S. balance of payments and cut into oil imports, providing a boost for the dollar, he said. With the currency-risk factor removed, investors should be able to take advantage of what he termed the fundamental strength of the stock market.

"When interest rates go down, the market usually goes up," Mr. Tanous noted.

To this, he added another positive factor of sorts. If the recession gets bad here, it'll probably be worse overseas. The U.S. should al-

ways be "relatively" better off than the rest of the world, he said, because the U.S. stock market could match the rest of the world's markets in a recovery.

"You can buy a General or a retail stock anywhere," he said. "But you can only buy McDonalds or Walt Disney in the U.S."

If the slide in the dollar has not yet convinced more of the U.S. stock market to foreigners than the Americans, it appears that the going to be a lot of sales on the part of overseas investors.

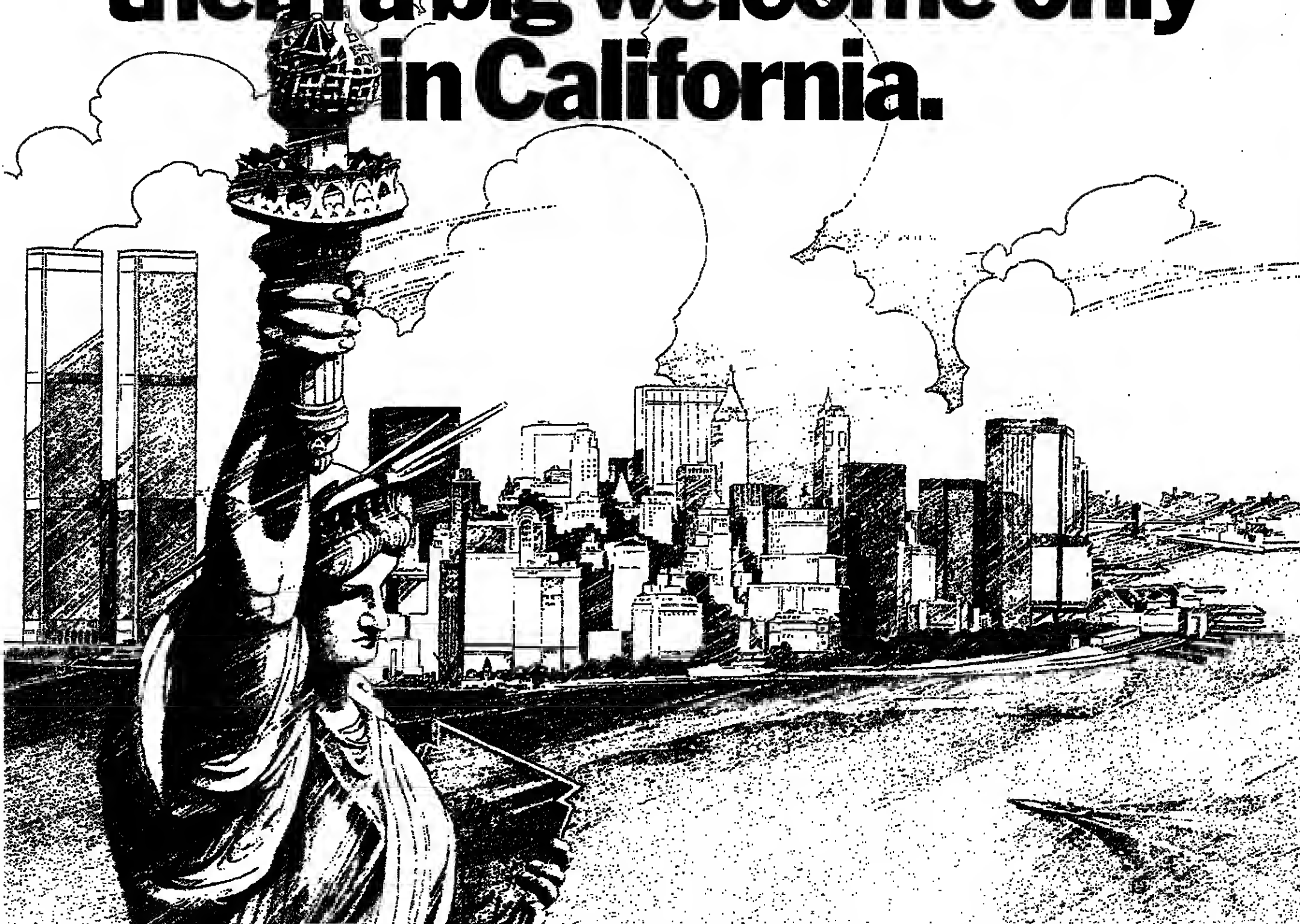
Gutted Portfolios

The dollar's drop has gutted portfolios of many foreign investors, Mr. Bodenberg noted. At one point where they can easily gift horses in the month. Foreign investors appear to be a great from their Yankee counterparts when it comes to being on the fence and waiting for to be well-developed.

"It's not where things are, it's where they're going," he said. "The dollar is going to be a lot better than it is now, and the stock market is going to be a lot better than it is now."

And the direction — or same — is not only seen as a sign from the floor of the New York Stock Exchange, but from the U.S. analysts as well. U.S. analysts have asked the question: Why are foreign investors not buying? Can the people who are supposed to be dealing with the economy handle the economy and in an election year.

Some people think Bank of America can give them a big welcome only in California.



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and the Film

The Realities of 'Hide in Plain Sight'

Judy Klemsrud

LO, N.Y. (NYT) — At

the end of the highly ac-

claimed film "Hide in Plain

Sight," the man on whose

life the film is based, James

Earl Ray, is dead. The film

is a search for the truth

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Tom Leonhard, his wife, Joanne, right, and her daughter, Gina.

clear that he never made his second

wife, Joanne, pregnant before he

married her, as the James Caan

character does in the film. "When I

read the script, I thought, 'Why the

heck did they put that in?'" he

said. "Joanne always tells me, 'Make

sure everybody gets it clear that

that didn't happen.'"

Nor did a Mafia member follow

him in a car and try to get him to

reveal where his children were, as

happened in the movie, Leonhard

said. "The Mafia never bothered me

in any way," he said.

So far, the film and book based

on Leonhard's experiences have not

made him a rich man. He made

about \$20,000 on the book and film

deal, and he will get 1 percent of the

producers' net receipts. He also got

\$15,000 from the film's opening

night benefit in his honor. From

these amounts he has paid Mar-

ioche about \$5,000 in legal fees and

\$8,000 in expenses, the lawyer said.

But it isn't the money that mat-

ters, Tom Leonhard insists. What

matters, he said, is getting his story

told, so it won't happen to anybody

else. "This is still the best country in

the world, let's face it," he said.

"But I was done wrong. The gov-

ernment does a lot of good things

and a lot of bad things, and maybe

some day I'll get an apology from

the president for myself and my

children."

Restaurants

Californians in Cannes Get Their Own Canteen

By Thomas Quinn Curtiss

CANNES (IHT) — Patrick Ter-

rail, who very successfully

took a bit of France to America

a few years ago, has temporarily

brought it back. Terrail, the owner

of Ma Maison restaurant in Los

Angeles, has set up a Riviera

branch of his popular California

restaurant during the Cannes Film

Festival.

Ma Maison's makeshift Mediter-

ranean counterpart, in a wing of the

turreted Chateau de La Napoule, a

20-minute drive from Cannes, has

become the in-place for visiting

stars, directors and writers — a bit

of Hollywood away from Holly-

wood. At its tables can be seen

Terence Young, Pamela Clark, Leslie

Caron, Irving Lazard and Kirk

Douglas. The seaside canteen, sur-

rounded by gardens and lawns, is of

15th-century design but was built

just after World War I by a million-

aire Philadelphia artist Henry

Claus.

At 37, tall, dark and with the

turned-up nose supposed to typify

the true Parisian, the Paris-born

Terrail explained how he had man-

aged to get such a spectacular loca-

tion. "Louis Outier offered to

share his kitchen at L'Oasis (a

three-star restaurant in La Napoule)

and his chef and assistants," Terrail

said. "But I wanted my own show-

place, and the chateau caught my

eye. After Claus died in 1954, it be-

came a seminary for art students.

But instead of studying the students

gave wild parties and got stoned.

The police raided the chateau and

padlocked it. I wrote to the Claus

Foundation and once the directors

were assured my offer was respect-

able, they agreed to let a wing for

my restaurant."

Terrail, who has a degree in hotel

management from Cornell and

speaks impeccable American En-

glish, comes from a celebrated clan

of Paris restaurateurs. His great-

grandfather founded the Cafe An-

glois, the Second Empire haunt of

royalty, society and literati, and his

uncle, Claude Terrail, is the owner

of the Tour d'Argent in Paris.

Terrail has mixed feelings about

his name. "Sacha Guiry said he

was born with a famous last name

but had to create his given name,"

he said. "That's what I've been

trying to do and it hasn't been easy

or overnight. If you have a magic

family name everyone expects im-

mediate results. If they don't come

fast, people think you haven't in-

herited the spark. A famous name

is half blessing, half curse."

After working in such Manhattan

restaurants as the Four Seasons,

Raffles and the Forum and a stint

as an aide to John Mills, the En-

glishman who tried to revive the El

Morocco nightclub of prewar New

York, Terrail decided to open a res-

taurant of his own. "Seven friends

chipped in \$5,000 each to finance a

bistro in Hollywood and I opened

Ma Maison in 1973," he explained.

"It was no go for two years, just

another restaurant. Something had

to be done or I was going to be out

of business. I went to France to

look for a superlative chef. I found

one, Wolfgang Puck, an Austrian

who had worked in the great French

kitchens. That turned the tide. I

told some friends about my discov-

ery. They brought their friends and

those friends brought others. Before

long it was the chic new place, the

place to be seen, the place where the

big deals are transacted."

But hasn't diet mania discour-

aged good eating in the United

States? "No," said Terrail. "It's true

that the best-selling books in Amer-

ica are those on diet at the moment.

But the second-best-sellers are on

cuisine. The public is diet-minded,

but food in first-rate restaurants has

become diet-oriented. Nouvelle cul-

sine, like it or not, has influenced

modern cooking. People want bal-

ance. Junk food is turning teenagers

into obese monsters, but it would

kill any gourmet's appetite just to

read the menu of an Edwardian

banquet today."

Terrail made his first professional

appearance in Cannes three fes-

tivals ago when he catered a supper

after the showing of "That's Entertain-

ment." He served barbecue with

California wines. "I got that idea

from an experience I had in Califor-

nia," Terrail said. "Several French

food critics visited Hollywood and I

was obliged to give them a dinner. I

didn't know what to serve that

would be new to them. So I had the

food sent in from MacDonald's —

hamburgers and beer. They were

delighted. They had a wonderful

time."

It is shameful that it should have

taken 15 years to get Terrail into

the National's repertoire. Instead,

however, of going for a major work,

he has gone for the "Playbill

double and killed it stone dead by a

casting error so fundamental that

not even McCowen's superb talents

can rise above it.

Briefly, the problem is this: "The

Browning Version" can work only if

Crocker-Harris can be imagined as

"the Himmeler of the lower fifth." In

order for there to be a play, you

have to believe that boys could con-

ceivably either fear or hate this

man: McCowen, about as fearful

and as hateful as a giant panda, is

Mr. Chips from the first moment

and the play totally loses its creden-

tials. Here is no petty, soulless vi-

cinité married to a snobbish and vi-

cinité wife, but a man of infinite

grace married to a lady (Geraldine

McEwan) apparently only recently

emerged from a J. Arthur Rank

1940s charm school.

This is a play about hatred and

failure, about the defeat of a man

and the death of a marriage, above

all about the cracking of the stiff

upper lip and about the destruction

of the soul that can be caused by

school and by sex. All that seems to

have eluded Rudin (an admirable

director here on foreign territory)

and the result is safe but subdued.

Crocker-Harris' breakdown when

a child hands him the beloved

Greek translation of the title only

makes sense if we have been shown

a man in utter isolation and desola-

tion.

The current evening's only real

success is Nicky Henson, who goes

from the science master of "The

Browning Version" (a performance

he too is inclined to play for charm

Tables include the nationwide prices up to the closing on Wall Street.

[illegible]

May 21, 1980

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European Stock Markets

May 21, 1980
(Closing prices in local currencies)

[illegible]

NYSE Nationwide Trading Closing Prices May 21

The trade official said that China is not seeking special tariff preferences from the United States such as other developing nations have for their exports of certain manufactured and semi-manufactured goods. Mr. Hormats said China, in any event, would not be eligible for such duty-free privileges in the United States unless it first joined the General Agreement on Tariffs and Trade.

Tables include the nationwide prices up to the closing on Wall Street

[illegible]

Volcker Issues Warning Over Futures

In the recent silver speculation, the Fed was worried that transactions financed by credit contributed to the speculation, diverted financing from more productive uses, and was excessive. The use of credit in this way ultimately can threaten the safety and soundness of financial institutions, Mr. Volcker said.

He said the Fed is concerned about recent commodities speculation because of its spillover effect on financial markets, the effective functioning of which concerns the board greatly.

Up Sharply Near Low

Revenue, Profits in Millions,
in local currencies, unless otherwise indicated

Britain			
	BOC Ltd*		
1st Half	1986	1977	
Revenue.....	615.90	624.10	
Profits.....	19.50	17.30	
Per Share.....	0.0489	0.0432	
	Whitbread		
Year	1977	1986	
Revenue.....	738.5	659.9	
Profits.....		44.8	
Japan			
	Teijin		
Year	1986	1977	
Revenue.....	403,347.	337,109.	
Profits.....	7,209.	2,232.	
Per Share.....	10.03	3.24	
Sweden			
	Volvo		
1st Quarter	1986	1977	
Revenue.....	5,920.	5,320.	
Profits.....	385.0	235.0	
Per Share.....	9.10	6.70	
United States			
	Federated Department Stores		
1st Quarter	1986	1977	
Revenue.....	1,320.	1,210.	
Profits.....	26.50	28.05	
Per Share.....	0.54	0.57	
	K-Mart		
1st Quarter	1986	1977	
Revenue.....	2,980.	2,620.	
Profits.....	39.6	45.6	
Per Share.....	0.32	0.37	

Closing Prices, May 21, 1980

[illegible]

May 21, 1968


	Dollar	D-Mark	Swiss Franc	Sterling
1 M. 9/15/16-9/7/16	9 1/4-9 1/2	6 1/4-6 1/2	17 1/4-17 1/2	
3 M. 10 1/4-10 1/2	9 1/4-9 1/2	6 1/16-3/16	17 1/4-17 1/2	
2 M. 10 1/2-15 1/4	9 1/4-9 1/2	6 1/16-3/16	17 1/4-17 1/2	
6 M. 10 1/4-10 1/2	9 1/4-9 1/2	6 1/16-3/16	16 1/4-16 1/2	
1 Y. 10 1/4-10 1/2	9 1/4-9 1/2	5 1/4-5 1/2	14 1/4-15 1/4	

Closing prices, May 21, 1980.

[illegible]

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OIL COMPANY STRATEGIES FOR THE 1980's

LONDON CONFERENCE, JUNE 19 AND 20

Chief executives of three major oil companies will discuss their prospects and changing roles for the coming decade at the forthcoming International Tribune/Oil Daily conference on "The New Energy Emergency: Oil and Money". For further information, contact the International Herald Tribune Conference, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Tel: 747.12.65, ext. Telex: 612832.

European Gold Markets

May 27, 1978

	A.M.	P.M.	N.C.
London	\$11.75	\$11.50	+5.75
Zurich	\$16.50	\$17.00	+1.50
Frankfurt	DM 172.50	DM 172.50	+1.50

Official markets and exchange rates for London and Paris, some using closing prices for Zurich.

U.S. dollars per ounce.

Gold Options (prices in \$/oz.)

Term	May 30	June 30	Options
30	\$7.00-7.50	—	Start Feb. 78
300	\$13.00-13.50	—	Start May 78
360	\$14.00-14.50	—	
12	\$20.00-21.00	\$20.00-22.00	
24	\$21.00-22.00	\$21.00-23.00	
48	7.00-10.00	25.00-28.00	

For European call, 12 months, 11 mm.
For American call, 12 months, 11 mm.

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The undersigned announces that the deposited property for the still outstanding CVR's of ord. stks. J. Lyons and of 7% conv. red. conv. prof. stks. J. Lyons have been sold.

As from May 25th 1980, can be obtained at Kas-Associatie N.V., Spaarstraat 172, Amsterdam, against delivery of the CVR's Lyons:

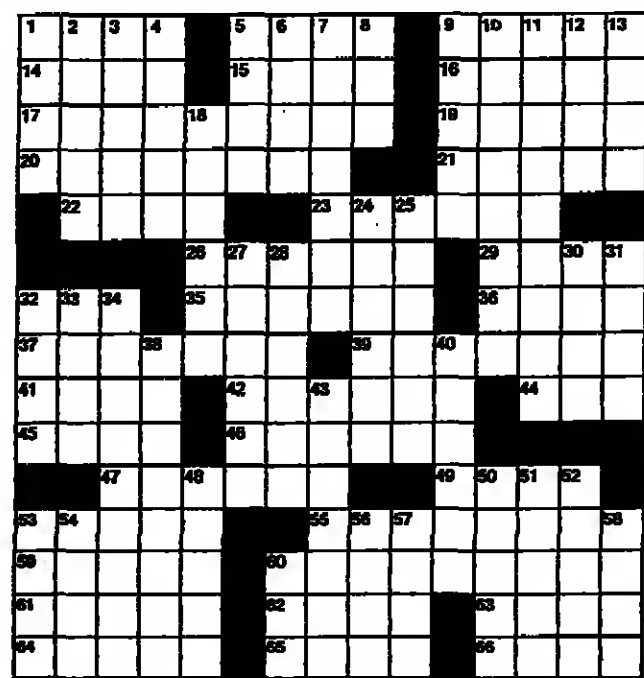
1. for each CVR of ord. stks. J. Lyons an amount in cash of Dfls. 156,61 (including Dfls. 15,71 dividend still due);

2. for each CVR of 7% prof. Lyons, a 50 sh. an amount in cash of Dfls. 191,96 (including Dfls. 10,28 dividend still due).

This dividend was deposited in margin div. 1,5 per share per 13.10.78 and 2,00 percent interim div. 1,5 per share per 1.3.79, the final div. per 1.8.79, 1,8314 per share and the interim div. 1,5 p. per 29.2.80 per share Allard Brewery Limited.

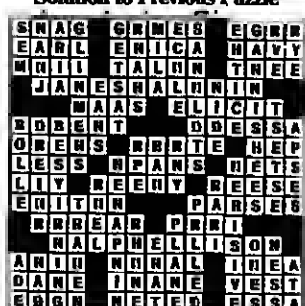
**AMSTERDAM DEPOSITARY
COMPANY N.V.**
Amsterdam, May 14th, 1980.

CROSSWORD — By Eugene T. Maleska



- ACROSS**
- 1 Mislead
 - 2 Bear Bryant's boys
 - 3 Adrien — beauty
 - 4 Where to see pagodas
 - 5 Buck heroine
 - 6 — la Paix
 - 7 Greedy insect
 - 8 Exempt — (script direction)
 - 9 Mammoth insect
 - 10 Appearances
 - 11 Red-cased cheese
 - 12 Insect that will take it all back
 - 13 Emulate
 - 14 Wrong-Way Corrigan
 - 15 Brother of Eris
 - 16 Footstaple
 - 17 One of the Magi
 - 18 Part of St. Peter's
 - 19 Stimulate
 - 20 Drexel, to J. P. Morgan
- DOWN**
- 1 Cluny product
 - 2 " — — — — —"
 - 3 Begat
 - 4 Cigar-making center in Fla.
 - 5 Dry, cold wind
 - 6 Actor Arkin
 - 7 Trespasser's bete noire
 - 8 Insect going after combat
 - 9 Kitchen emanation
 - 10 Meditative insect
 - 11 Sharp, acute insect
 - 12 Genesis setting
 - 13 Not so much a conductor
 - 14 Resistance of a
 - 15 Storehouses or
 - 16 Unctuous medication
 - 17 More enormous
 - 18 "Beauty still — — — — —"
 - 19 Ad infinitum
 - 20 Immunological items
 - 21 Rainbows
 - 22 Dizzy or Daffy
 - 23 Insect in charge of a ceremony
 - 24 Sows again, insect style
 - 25 More embarrassed
 - 26 Shoot from a root: Var.
 - 27 Analyze ore
 - 28 Declaim
 - 29 One of the Philippines
 - 30 — — — — —
 - 31 Type of toad
 - 32 Cut of beef
 - 33 Do as told
 - 34 Entertainer
 - 35 Despot
 - 36 Vital component of cells, for short

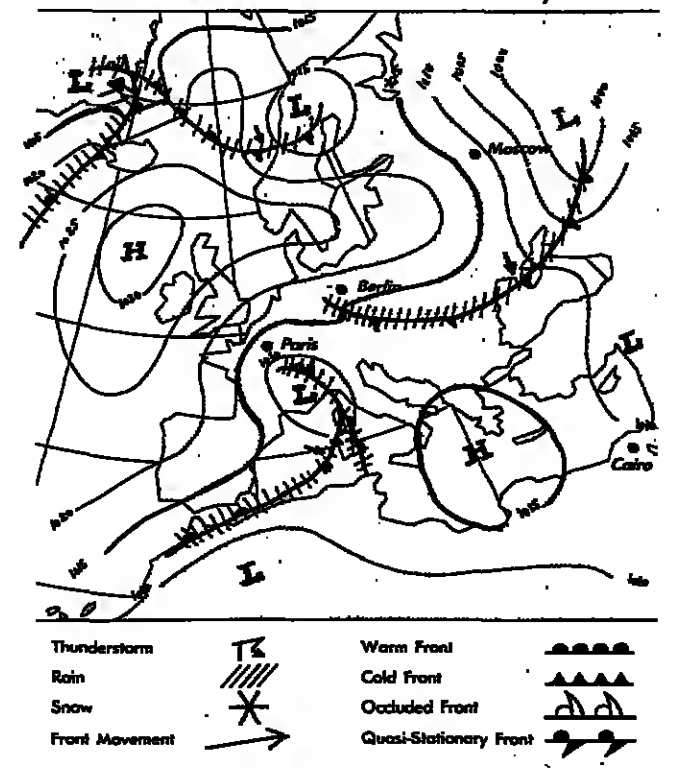
Solution to Previous Puzzle



WEATHER

	C	F		C	F
ALBUQUERQUE	18	64	MADRID	23	72
AMSTERDAM	19	66	MILAN	22	72
ANKARA	19	66	MONTREAL	15	59
ATHENS	22	72	MOSCOW	5	41
BEIRUT	22	72	MUNICH	18	64
BERLIN	17	63	NEW YORK	15	59
BELGRADE	16	61	NICE	17	63
BOMBAY	26	79	OSLO	11	52
BUCHAREST	15	59	PARIS	16	61
BUDAPEST	16	61	PRAGUE	18	64
CASABLANCA	18	64	REIMS	19	66
COVINGTON	22	72	ROME	11	52
COSTA DEL SOL	24	75	SOFIA	11	52
DUBLIN	12	54	STOCKHOLM	6	43
EDINBURGH	12	54	TEHRAN	20	68
FLORENCE	22	72	TEL AVIV	22	72
FRANKFURT	21	70	TOKYO	17	63
GENEVA	17	63	VIENNA	20	68
Helsinki	15	59	WARSAW	18	64
HOUSTON	22	72	WASHINGTON	20	68
ISTANBUL	17	63	ZURICH	19	66
LAS PALMAS	24	75			
LISBON	17	63			
LONDON	17	63			
LOS ANGELES	18	64			

Situation Forecast for Noon G.M.T. Thursday



Clock-Watching Swedish Parson Says Even Lord's Time Is Money

UMEÅ, Sweden, May 21 (UPI) — Blessed are they who serve the Lord. But Andre Ostlund thinks they should get paid overtime, too.

Mr. Ostlund, vicar of the Umeå parish in the far north, put in his claim for better pay and conditions this week. "I work on average 53 hours a week," he said. "I think I should be paid overtime."

Swedish law says anyone working more than 40 hours a week must be paid overtime. But the priesthood is an exception to the law.

A spokesman for the diocese head office in Luleå said that it was impossible to put time limits on evangelical work. He said that Mr. Ostlund's request for 13 hours overtime a week would be refused.

The Priests' Association — the nearest thing to a union for men of the cloth in Sweden — made it clear it will not support Mr. Ostlund's claim. "Priests have unregulated hours according to contract," said Lennart Hvaschchild, the association's chairman. "It would be unrealistic to limit their hours. You can't keep one eye on the clock when you are caring for someone's immortal soul."

PEANUTS



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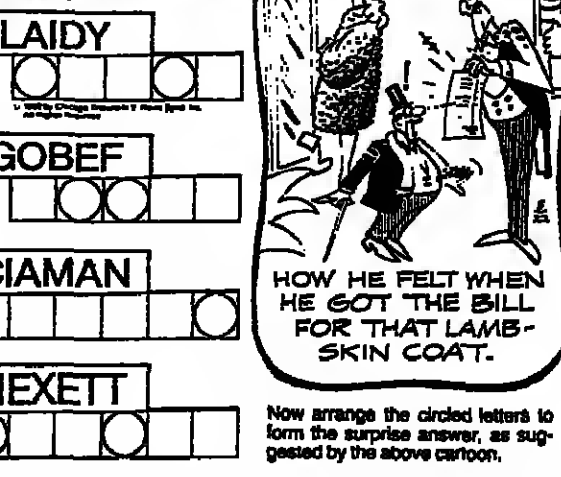


DOONESBURY



JUMBLE — THAT SCRAMBLED WORD GAME

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

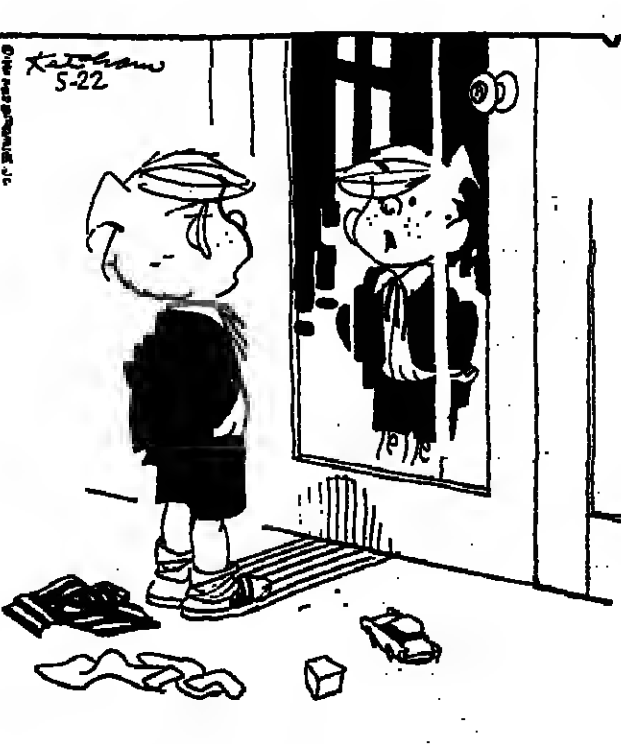


Print answer here: _____

Yesterday's Jumbles: MOLLY SAHIB FACTOR ANSWER: From the monarch they got this — "NO CHARM"

Imprimé par P.I.O. - 1, Boulevard Ney 75018 Paris

DENNIS THE MENACE



BOOKS

MAYBE

By Lillian Hellman. Little, Brown. 106 pp. \$7.95.

Reviewed by Anatole Broyard

THE kindest interpretation one can put on "Maybe," Lillian Hellman's new book, is that it is a parody of contemporary fiction. Non sequiturs, gratuitous acts, frustrating ellipses, ambiguities, a dearth of emotion — Hellman avails herself of all these current techniques in telling a story that she keeps telling us may not be a story at all.

On every page, sentences begin with "I've forgotten, I don't remember, I don't know, I am no longer sure. This encourages us to suppose that "Maybe" may be about the antics of memory, the elusiveness of truth or character. "What I have written," Hellman says, "is the truth as I saw it, but the truth as I saw it, of course, doesn't have much to do with the truth." No one, she suggests, can possess the whole truth with any confidence.

"Maybe" is described on the dust jacket as "a story," yet Hellman presents herself, her husband and Dashiell Hammett, with whom she lived for years, as characters in the book, and the events seem to be offered as autobiography.

The heroine of this story or memoir is a beautiful woman named Sarah Cameron, whom Hellman saw only intermittently over 40 years. A pathological liar, a poseuse, a virtuosa of discontinuities, Sarah resembles Lady Brett in Hemingway's "The Sun Also Rises." She is a familiar femme fatale from a period in women's evolution that may now strike us as quaint, a time when boredom was indistinguishable from sophistication.

After saying that she likes Sarah, Hellman adds that "she is of no importance to my life and never was."

The provisional nature of her portrait shows, Hellman remarks, "how inattentive I was." Fiction seems to have become so independent of reality that authors now boast of their inattentiveness.

Hellman was linked to Sarah by her first lover, a cad who told her

from Harry, and groined inhibited criticism from

"A woman reader of 'rows' would not have to faint feminist to be of Val's masochistic self. I'm afraid Harry doesn't will either. When Val protests Barbara's flax approach to her son's Harry answers: 'You'll get used to her.'"

I suppose it might have ferret if Barbara had been a mere vain, coy, childish petitive in the most common ways. So far as I can see, redemptive qualities. For of charm, she doesn't have a real.

Harry is pretty much as retired from his job in the office to "chase" it, which, in his case, means pictures of birds. Beside to supplement their income always taken care of their

When Harry takes the about his own mother, Val, an of all clichés, answers: "barn's dying" must take course." To which Harry "Why must it? What if dog?"

Now, if he had said some radical conviction, it was what he felt his earned, the scene might have been strong. But what out of it Harry's distasteful, and this is not a can confute with.

"The Goat, the Wolf, Crab," an earlier novel by Martin, received very good from critics I consider it as a talent for suspense, as one reader. Perhaps she track to her former felicity, or too late to regress.

Anatole Broyard is on the New York Times.

BRIDGE — By Alan

THE bidding on the diagrammed deal followed a sensible course to six diamonds. West made the fine lead of the spade eight, forcing South into an immediate decision in the spade suit.

South put up the ace, drew trumps and led a club to the K-Q. He was hoping to find the ace on his left, but against the actual distribution he had to fall by one trick.

Against the opening lead, the declarer could, and probably should have succeeded. The right plan was a dummy reversal, ruffing spades in the closed hand to produce an extra trick.

The play would start: spade ace, spade ruff, diamond king, club to the king and ace. East drew back to return a club, and South won in dummy and ruffed another spade.

When the king does not appear, dummy is entered with a heart lead to ruff another spade. The declarer

then cashes his diamonds and enters dummy with a club to draw the missing trump.

NORTH (D)

WEST

EAST

SOUTH

Both sides were vulnerable.

West led the spade eight.

West led the spade eight.

West led the spade eight.

West led the spade eight.

West led the spade eight.

West led the spade eight.

